TRUSTS

VERSUS

THE PUBLIC WELFARE

BY

H. C. RICHIE

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By H. C. RICHIE

R. F. FENNO & COMPANY
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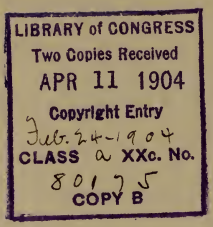

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TRUSTS

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THE PUBLIC WELFARE.

THE greatest menace to the public welfare now confronting our people is the formation and operation of the great industrial combinations commonly called trusts, whose purpose is the regulation of production, wages, and prices, and the destruction of competition to the end of complete monopoly of the business of the country. There is not one of the great combinations but is bending its every talent, energy, and power to obtain supreme control of every market within our boundaries to give it an outlet for its wares, and there is not one of them that does not exhibit a marked determination to extort the highest price that can be gotten for its goods without encouraging by extreme prices the building and operation of new independent plants and renewal of competition. That fear of the fixing of too

extravagant prices to invite competition has influence to hold the trust magnates in check from extortion to the uttermost is remarked in the testimony of Mr. Henry O. Havemeyer, president of the American Sugar Refining Company, before the Congressional Industrial Commission on the 14th day of June, 1899, when he said: "I think it fair to get out of the consumer all you can consistent with business propositions. As a business proposition it is right to get all out of business you possibly can." Which means the trust magnates regard consumers as their legitimate prey, and intend to exact from them the highest prices they possibly can consistent with the proposition of not making them so high that outsiders will be emboldened to build and operate manufactories and bring their product into competition with trust manufactures and thus prevent them from plundering the people.

Theorists contend that commercial and industrial combinations, or trusts, are the result of business evolution, later day economic requirements; that aggregated capital represented by them is necessary to minimize cost of production and to that end individual effort and capital must make way for the greater power. They

imagine combination productions are sold at less price than our individual manufacturing firms and corporations got for the same wares before trusts came into being, and that they will have sale in foreign countries to an extent to overshadow our exportations of manufactures in previous years to abundantly compensate us for the stifling of individual effort of our forceful enterprising citizens who built up and maintained our manufacturing industry to establish us, more than thirteen years ago, the foremost manufacturing country in the world, the product of whose factories and workshops was equal in value to the manufactures of Great Britain, Germany and France combined, and who established and extended our foreign trade in domestic manufactures and placed their goods before our own people and the people of foreign countries at lower prices than quoted by the trusts at any time. They dream dreams that foreign manufacturers cannot maintain themselves in competition with our trust-made goods when it is evident to practical men that the proposition is absurd save only in a very few lines of production in which the advantage has lain with us for many years. Markets are not surrendered by people possessing them as necessary outlets for the surplus products of their factories even

if the competition for their control is of a nature to deprive their possessors of profit on their wares. After all, these dreamers, while dreaming wondrous results have been achieved by the trusts in crushing individual endeavor and depriving our capable, energetic and skilful people of the means of employment and advancement, are evidently ignorant of what has been accomplished by the trusts in the matter of exportation of their manufactures to foreign countries and the baneful effect of their control of our manufacturing industry upon both foreign and domestic trade.

I deny that conditions have changed, or are changing, to make necessary the formation of the combinations that have come into existence since January, 1899, to conduct our manufacturing business, and that only by means of the great wealth they control can the minimum cost of production be attained, and that they are a more important factor in the distribution of the products of our factories to foreign countries than were our individual manufacturing concerns. The history of the years prior to the absorption of our independent manufacturing firms and corporations by the great combinations disproves every word of such averment; it shows the successful upbuilding of manufacturing establishments all over this

country, the employment by our manufacturers of millions of wage-earners who were paid a high rate of wages and had steady work; the enormous expansion of the industry and the constantly growing consumption of our manufactures in the home market, and greater demand year after year from foreign countries for the products of our mills and furnaces.

FORMATION OF INDUSTRIAL COMBINATIONS, AND THE RESULT.

During the year 1899 combinations were formed in which there were merged a great number of the principal manufacturing concerns of the country. The capitalization of combinations that year exceeded the sum of three billions of dollars over one half of which did not possess one dollar intrinsic value but was expected by the combination organizers to participate in net earnings, as the officers and managers of the various companies would be required to conduct their business in a manner to force a high percentage of profit to pay dividends on all stock. To effect this prices had to be, and were, largely advanced; the American consumers had to pay the full advance and thus contribute their pro rata of dividends on stock of fictitious value, while the

people abroad who were not compelled to buy of us reduced their purchases of our trust-made goods. Instead of larger sale of American manufactures to foreign countries since the merging of our individual manufacturing firms and corporations into great combinations the record shows reduced sales to them. Our exportations of manufactures attained their maximum amount in the fiscal year ending June 30, 1900, without appreciable effect upon the foreign demand because of combination management and control which had just been inaugurated. During each succeeding year thereafter, to this date, with the trusts in perfect working condition; with vast capital at their command; with the superior management they claim to have; with the great economies they declare they have introduced in their business, and with the unequaled facilities of production and distribution they affirm they possess, our exports of manufactures have steadily declined to $23,342,583 less for the fiscal year 1901, to $30,210,355 less for the fiscal year 1902, and $25,664,549 less for the fiscal year 1903, or a total loss of sales to foreign countries of $79,217,487 of our manufactures during the past three years under trust management. Is not this enough to convince one that trusts have ob-

structed rather than facilitated our business with foreign countries? Thirty millions of dollars of manufactures represent the value of the product of the labor of tens of thousands of workingmen and with the loss of that much foreign business under the superior (?) management of trust people many thousands of workingmen were deprived of employment during the fiscal year ended June 30th, 1903, a greater number were without work from the same cause for the year ending June 30, 1902, and a multitude of workers suffered in the same way during the fiscal year 1901. This meant a loss of many millions of dollars in wages, and many ills that follow in the wake of such a loss.

I also deny that a combination, however great its capital, can manufacture at less cost than the same character of goods can be produced by the individual manufacturer if he has sufficient capital in his business to enable him to conduct it properly, and the cost of raw materials, supplies and labor are alike to both. The contrary of this has not yet been demonstrated, nor can it be, as the individual manufacturer was as quick to avail himself of improved machinery and highly skilled workmen as is the trust, and besides this, its being his own factory his best thought, knowledge and

experience were applied to produce the best results. As the larger part, if not all, of his capital was invested in the one factory the stake was so great that he was naturally driven to use every talent he was possessed of to make his business successful and profitable; to that extent the individual manufacturer had some little advantage over a combination managed by numerous officers, stockholders and salaried people.

REMARKS ON IRON ORE.

As the United States Steel Corporation and its constituent companies own and control not less than 85 per cent. of the iron ore in the developed mines of the Northwestern States and fix an excessive price for that ore, and for every ton of iron ore mined in that region by independent mine owners who promptly adopt the price established for trust ore as they know their business would be destroyed if they sold at a lower price, and as the independent furnace operators must have this Northwest ore to produce the pig-iron they supply the independent iron and steel manufacturers, the combination has an insuperable advantage and can undersell the independent manufacturers in this particular unless they sacrifice a large part, or all, of the profit they had ex-

pected to realize in meeting the cut price of their powerful opponent. The difference in cost of the higher product occasioned by owning so great a percentage of ore as is owned by the trust is sufficient to give it absolute command of the market at a profit on prices that competitors not so fortunate in ownership of ore cannot meet without sustaining loss. This condition of owning and controlling a vast percentage of Lake Superior ore gives the combination the power of monopoly in the sale of iron and steel manufactures and impresses one with the supreme importance of our independent iron manufacturers owning or controlling mines from which they can obtain their supplies of ore to free themselves from dependence on the steel trust and ore miners acting in harmony with it.

If the merging of iron ore mining companies into one great corporation had not occurred there would not have been for about two years past, and at present, a uniform and excessive price for the Lake Superior ore, and all of our iron and steel manufacturers could obtain supplies of that ore upon or near the same price level and turn out the finished product at about, or near, the same cost, thus insuring a fair and reasonable price to consumers and making impossible the monopoly of mar-

kets. If such a condition prevailed the markets of our country would be open to all of our iron and steel manufacturers whose competition for business would do away with the oppression of immoderate prices while the liberal demand for their manufactures would insure them the legitimate profit they are entitled to receive. A greater number of furnaces and rolling mills would be in operation, and many thousands of working people not now employed would have steady work in mining ore, in mining coal for making coke to be used in the furnaces to smelt the ore, in producing the coke, in converting the ore into pig-iron, in the manufacture of the pig-iron into higher class products at the rolling mills, and with the transportation lines carrying the ore to the furnaces, the coal to the coke ovens, the coke to the smelters, the pig-iron to the rolling mills, and lastly the distribution of the products of the rolling mills to dealers and consumers. And these men would have received as high wages as the combination now pays, probably higher wages than it pays, as the law of supply and demand obtains with labor as it does with commodities.

Our importations of pig-iron that will amount to a million tons costing between 17 and 18 million dollars by the end of the fiscal year, June

30th, and our imports of a million tons of iron ore valued at more than two million dollars for the same period, proves conclusively that several thousand additional wage-earners would have had employment, as indicated, under the conditions of competition which would have stimulated development of the manufacturing industry, and brought about the production of iron ore and pig-iron that would have been required by our iron and steel manufacturers.

The lamentable condition of trust monopoly of the iron ore of the Northwest and the invincible position the trust holds in the manufacture of iron and steel and its power to fix prices in consequence of that monopoly can and will be modified by repealing the duty on iron ore. The repeal of the duty will cause the miners of Canada, Cuba and other countries to send large supplies of ore to relieve our independent iron and steel manufacturers of the burden of extortion they are now bearing and incite them to enter the market with the product of their mills and furnaces in active competition with the trust with some assurance of a fair profit for themselves and reasonable prices for the people. Upon the repeal of the duty fictitious prices established by the trust for iron ore will largely disappear and its power to

monopolize the markets of the country will be minimized.

As the steel corporation owns and controls so near all the developed iron ore of the United States, except that in the Southern States and New York State, repeal of the duty is urgently demanded to relieve the people from monopoly prices, and Senators and Representatives in Congress should be called upon to take action to that end at the earliest practicable moment after Congress again convenes, and the support of electors should be withdrawn from all who refuse to vote the repeal. The question of remedying trust abuses and breaking the power of aggregated capital lays with the people and it is for them to say whether or not development of the resources of our country is to cease, commerce be hampered, individual enterprise be stamped out and labor brought to a condition of servitude in order that trusts may reap fabulous profits to pay big dividends on their stock, of which more than two billion dollars are not supported by a dollar of cash or physical property.

The time is at hand for a general awakening to the dangers confronting us in the absorption of the business of the country by combinations; they have but one object in view and that is

monopoly. About all lines of important manufacture have been merged into powerful combinations, each under the direction and management of one set of general officers. The work done at each plant of the corporation is required to be reported daily, comparison is made with similar work and production at other plants and the one showing the largest production, which carries with it the least cost of wares produced, is adopted as the standard and thereafter all must come up to it or they will be held in disfavor. A task system is thus inaugurated and woe to the man or to the factory that fails to reach the standard; the working-man falling short of his task is discharged or reduced to a subordinate place, and the plant that fails to come up to what is required of it in magnitude of production and minimum of cost of goods turned out is shut down and dismantled. As the working-men of the closed factory had not fulfilled the tasks that had been allotted them they are barred from employment in trust mills. Where else can they apply for work they are skilled in performing? The few independent mills have their complement of hands and employment cannot be had in them. The situation of these idle workmen is appalling, they are powerless to better their condition. Are

these men who are skilled in mechanical pursuits or other employment of high rank to be forced to become street-cleaners, hod-carriers or farm laborers to earn a pittance to keep want from their homes? This is a condition far from pleasant to contemplate, but thought must be given to it; to a certain degree it is an actuality, it is apt to be more pronounced in the not very distant future unless some powerful restraint is exercised over industrial combinations.

CLOSING AND DISMANTLING OF PLANTS.

Trust magnates have shut down many plants because of failure to turn out a product equal in amount and lowness of cost of some selected factory or mill and kept them closed for an indefinite period. They have dismantled a number of plants for the ostensible reason that their location was not regarded favorable for economic operation, but in many instances for the purpose of restricting production and centering manufacture at a few favored places. A case in point was the closing of a plant belonging to and operated by the American Tin-Plate Company, a constituent company of the United States Steel Corporation, who were not satisfied with the output of the mill and the cost of its

product, as they fell below the company's requirements as fixed by the standard mill. Mr. William Griffiths, referring to this occurrence in his testimony before the Industrial Commission in November, 1899, said that a delegation of working-men from the Cumberland, Maryland, tin-plate mills, after it had been shut down, called upon the general manager of the American Tin-Plate Company with a petition to start the mill up. The reply of the general manager to the delegation was : "If you can in any way give the company a concession of ten cents a box, which is the amount necessary to put you on an equality with New Castle, your mill will be restored."

Because a mill 200 miles distant could produce a box of 100 pounds of tin-plate at one-tenth of a cent per pound less cost than it could be made for at Cumberland the working-men at that plant were deprived of employment, to endure hardship and suffering until disciplined to concede the demands of the trust. It happens to be within the power of a trust to discipline its force of working people when in the course of events it may deem it necessary ; its plants are located in many places and to accomplish its ends one here, another there, and still another somewhere else

can be shut down and manufacture concentrated in other plants. After a long time of idleness, in which possibly the savings of years are consumed in maintaining the family, and after many hardships have been endured, almost any sort of agreement can be reached and then work is resumed. The same tactics can be employed in disciplining the working-men in the various plants of the trust until all are in a frame of mind utterly submissive to the behest of their employer.

Possibly a few of the working-men in plants ordered dismantled had proved themselves capable to fulfil all that was required of them by the trust; if so, they were offered work in mills at distant points the acceptance of which made necessary the removal of their families to the new location, and the breaking off of lifelong friendships and associations. A very trying and unhappy experience that one is loath to pass through.

INDIVIDUAL MANUFACTURING FIRMS AND CORPORATIONS.

When the manufacturing plants now in combinations were owned and operated by individual firms and corporations the employer had direct interest in the welfare of his employees and in

their being kept in the fullest possible employment, only in case of actual business stagnation and large accumulation of manufactured goods would he consider the shutting down of his factory and when it occurred he exerted himself to dispose of his surplus manufactures and with their sale he was quick to resume manufacturing. When the day of resumption of work came the place of every old employee was open for him, or her, this as a matter of course; as long as the mill stood the hands knew they had a certainty of employment in it if their employer could find sale anywhere for the product of their labor, and from one end of this land to the other, except upon rare occasions, our working people in the manufacturing industry had regular employment at liberal wages and were void of fear of the mill being shut down and dismantled because of some other mill making some article at a trifle less cost than it could be produced for in their mill.

Before the formation of great combinations in the manufacturing industry factories of every kind were being built and put in operation throughout the country. The starting up of these new plants made a demand for more working people and added to the possibilities of higher wages, at the least it insured the maintenance of a high scale of wages.

Our active enterprising individual firms and corporations encouraged in the broadest sense the development of our natural resources by which the best interests of the country were promoted ; they gave a liberal market for the cotton, wool and other raw materials produced by our farmers, as there were many buyers of such things, and for the coal and ores taken from the earth, and the timber from the forests. A multitude of people were employed in producing these materials and in mining the coal and ore. The building of the various factories required the services of many thousands of masons, carpenters and other workmen, and much carrying by our transportation lines. Thousands of homes were brightened, and tens of thousands of hearts gladdened by the building and operation of our individual manufacturing establishments, and communities were prospered by their building.

It is well known that prosperity abounds when labor is fully employed, and that full employment is contingent upon an active prosperous manufacturing industry. A condition of fully employed labor at higher wages than paid in any other country in the world, and unparalleled prosperity attended us continuously for eighteen years to the beginning of 1893 when every branch of in-

dustry and business was laid prostrate by fear of the institution of certain destructive national policies. The inauguration of the threatened and dreaded policy one year later intensified the industrial and general business paralysis to cause it to continue until the end of 1896, filling the land with a mighty army of idle wage-earners, bankruptcy, distress, and want. The year 1897 opened with confidence restored in the certainty of the prompt repeal of laws that had brought disaster upon us and early restoration of policies that had always prospered us. Mills opened wide their doors for the return of their old employees; mining operations were resumed on a large scale as coal and ore were required by manufacturers; transportation lines were soon busily employed in the movement of a vast commerce; every avenue of employment was opened and the idle ones were given work to do; distress and want were quickly banished from this great country, where they were not wont to abide. Before July 1, 1898, marks of unexampled prosperity were upon every hand, labor was universally employed, every branch of manufacture was being operated to its fullest capacity; our transportation lines were unable to promptly move the freight delivered to them; new mills and furnaces in course of con-

struction fairly dotted the land, and foreign countries were buying more of our manufactured goods than ever before. The year closed with demands for manufactures beyond the power of existing plants to produce, and with a volume of general business more than six billions of dollars greater than was done in any previous year in the history of our country. In the meantime, that is from January 1, 1893, to January 1, 1899, there was an enormous addition to the money in circulation which encouraged a spirit of irrational speculation in stocks and other securities then listed upon the Exchange, and invited daring operators and speculators to create new stocks to unload upon credulous investors. The merging of our prosperous manufacturing firms and corporations into great combinations with fabulous stock capitalization was the result of the enormous expansion of the currency and the spirit of speculation it inspired. The organizers of combinations had faith in their stocks being readily taken at satisfactory prices when placed upon the market, as persons purchasing them would believe that under trust management the earnings of the business would be great and high value would attach to the stock. This view of the subject was confirmed by Judge William H. Moore, one

of the most successful organizers of big combinations, who in his testimony before the Industrial Commission, said: "The stock of all the companies I have organized has sold, the two together, preferred and common, at 40 to 50 or 60 per cent. premium, and even higher within a reasonable length of time."

It is a well-known fact, and in evidence, that the trusts, or combinations, issued from two to four dollars, and in several instances nine dollars, of stock for one dollar of actual property merged, and as high as twenty dollars of trust stock was issued for one dollar of tangible assets, therefore the premium indicated by Judge Moore paid the original holders of the stock a splendid profit to satisfy them for surrendering their property to the combination.

THE NATURE AND PURPOSE OF COMBINATIONS COMMONLY CALLED TRUSTS.

The following pages will show somewhat of the nature and purpose of the great combinations or corporations, commonly called trusts, that are monopolizing the business of the country, and the pernicious effect of their existence upon our individual and national well-being. The brief summary I advance of the testimony of each wit-

ness examined by the commission should be thoughtfully read and seriously considered to arrive at a proper understanding of what is necessary to be done to remedy the trust evil. It is neither practicable nor wise to adopt measures to suddenly break up and destroy these powerful combinations as the effect would be disastrous in the extreme, and too far-reaching, but it is essential, and the best interests of our people demand, that drastic laws be enacted by Congress for their control and regulation.

Under authority of an act of Congress approved June 18, 1898, a commission entitled the "Industrial Commission" was appointed to investigate combinations or trusts, and report from time to time to Congress the information elicited with a view to suggest a course for that body to pursue in framing laws for the regulation and control of all corporations or combinations engaged, or that may engage, in commerce among the States and with foreign countries. Meetings of the commission were held in 1898 and succeeding years to the end of 1901, and possibly since, when trusts, or combinations, magnates, officers, directors, organizers and promoters, and bankers who were members of syndicates that advanced money for combination purposes appeared and gave in their

testimony in regard to the formation and operation of the combination in whose name they were summoned as to the persons organizing it, its capitalization and in what form, the names and location of the various companies merged into it, their individual capital stock, the character and value of their properties, the terms upon which their stock and property were acquired, and all other information upon the subject that could be gotten from them that would reveal the status and workings of this new corporate power created for the purpose of crushing competition and monopolizing the production and sale of the manufactures of the country.

THE UNITED STATES STEEL CORPORATION.

The first in order to present of the great industrial combinations, on account of the magnitude of its capital stock and business, is the United States Steel Corporation, which was organized February 23, 1901, under the laws of the State of New Jersey. This corporation, composed of eleven constituent companies, is capitalized at $1,404,000,000, consisting of $550,000,000, 7 per cent. cumulative preferred, $550,000,000, common stock, and $304,000,000, 5 per cent.

gold bonds. There was issued of this capital stock $510,280,900, preferred, $508,302,200, common stock, and bonds to the amount of $303,757,000, a total of $1,322,340,300, with which to purchase the stocks, bonds, and properties of the various companies that were brought into the combination, to secure working capital to the amount of $25,000,000, and for other purposes. The remainder of the capital stock was retained in the treasury for future uses.

The largest and most important of the companies absorbed by the United States Steel Corporation was the Carnegie Company, with its extensive holdings of subsidiary companies, whose capital stock and bonds of $320,000,000, were purchased at a valuation of $492,313,000, and paid for in stocks and bonds of the corporation. This premium of $172,313,000, paid for the capital stock and bonds of the Carnegie Company, was the beginning of the immense over-capitalization of the United States Steel Corporation, which is apt to wreck it in the course of a very few years, upon which dividends must be exacted of consumers of the products of its mills and furnaces. Next in rank of the merged companies stands the

FEDERAL STEEL COMPANY.

The Federal Steel Company came into existence about two years before the United States Steel Corporation was organized; it was formed under a charter granted by the State of New Jersey that authorized it to do business anywhere in America or in foreign countries. Stock was issued to the amount of $100,000,000, of which $53,500,000 was preferred and $46,500,000 was common. This stock was used to acquire the total stock issue of five iron and steel companies and a short railroad, amounting to $55,150,000, to obtain $14,000,000, cash working capital and for other purposes. The stock of one of the iron companies was purchased by payment of $200 of Federal Steel Company stock for $100 stock of the iron company, and the stock of the other absorbed companies was purchased at premiums ranging up to near fifty per cent. The $100,000,000 capital stock of the Federal Steel Company was purchased by the United States Steel Corporation by the exchange of $110 of its preferred and $4 of its common stock for $100 of preferred stock of the Federal Steel Company, and $107.50 of common stock of the United States Steel Corporation for $100 common stock of the Federal Steel Company. In this transaction the Federal Steel

Company received a premium of $11,097,750 for its stock from the United States Steel Corporation. Add this premium to the excess sum, or premium, the Federal Steel Company paid when it purchased the stock of its six subsidiary companies and the gross amount would probably be not less than $50,000,000, which is now embraced in the capital stock of the United States Steel Corporation. The "dear people" will pay dividends on this watered stock just so long as there is a liberal demand for iron and steel products, as the steel corporation will fix prices to that end.

THE AMERICAN STEEL AND WIRE COMPANY.

The American Steel and Wire Company was organized early in 1899 with capital stock of $90,000,000, consisting of $40,000,000, 7 per cent. cumulative preferred and $50,000,000, common stock. Manufactures wire of all kinds, wire fencing of all kinds, wire nails, wire rods, etc., and produces probably 90 per cent. of the output in this country of wire nails, about 90 per cent. of all the barbed wire and fencing wire, and not less than 80 per cent. of the wire rods.

There were a number of companies merged to

form the American Steel and Wire Company whose property after the combination was completed was estimated to be worth $46,000,000 to $50,000,000 at a fair cash valuation. There is no question about a large bonus of common stock having been paid to the subsidiary companies when they entered into this combination, and that the greater part of the capital stock of the American Steel and Wire Company was used in acquiring the property of those companies.

When the American Steel and Wire Company was merged into the United States Steel Corporation it received $117.50 of preferred stock of the United States Steel Corporation for $100 of its preferred stock, and $102 of the common stock of the United States Steel Corporation for $100 of its common stock. Thus the American Steel and Wire Company received a premium of $8,250,000 for its stock which added to the bonus paid by that company to the companies of which it was composed carries several tens of millions to the account of water in the capital stock of the United States Steel Corporation.

THE NATIONAL TUBE COMPANY.

The National Tube Company, whose capital stock was $80,000,000, divided into $40,000,000,

7 per cent. cumulative preferred and $40,000,000 common stock, was absorbed by the United States Steel Corporation upon payment of $125 of preferred and $8 of common stock of the United States Steel Corporation for $100 of the National Tube Company's preferred stock, and $125 of common stock of the Steel Corporation for $100 of common stock of the Tube Company. In this purchase $103,200,000 of United States Steel Corporation stock was given for $80,000,000 of National Tube Company stock, which shows a premium of $23,200,000 paid by the big corporation in the exchange of stock.

THE NATIONAL STEEL COMPANY.

The National Steel Company was organized in February, 1899, under the laws of the State of New Jersey with capital stock of $59,000,000, of which $27,000,000 was 7 per cent. cumulative preferred, and $32,000,000 common stock. The testimony in regard to the acquisition of the several plants combined in this corporation was that they were merged upon the basis of a cash valuation of each plant, and payment made of $100 preferred and $100 of common stock for $100 of property value; in other words, $2 of National Steel Company stock for $1 of property. When this

company entered into the United States Steel Corporation it received $125 of preferred stock of the United States Steel Corporation for $100 of its preferred stock, and $125 of common stock of the Steel Corporation for $100 of its common stock, or a premium of $14,750,000. Consider this premium in connection with the 100 per cent. bonus paid originally for the properties by the National Steel Company and understand that the United States Steel Corporation has issued stock to cover all of it.

THE AMERICAN TIN-PLATE COMPANY.

The American Tin-Plate Company incorporated January 6, 1899, under the laws of the State of New Jersey is an aggregation of nearly all the tin-plate companies in the United States. The merging of these companies, producing about 90 per cent. of the output of tin-plate in America was at the instance of their stockholders who had suffered loss of a considerable percentage of profit for quite a period by competition that had prevailed; they regarded a combination of the tin-plate interests the means by which full profits could be realized, and were eager to enter into it. There were a few tin-plate manufacturers

who through bad management had failed to make a profit; in a few instances mills were operated at some small loss, as has been the case at times in other lines of manufacture, but the majority of them were making money, "not a great deal, but some profit." There had not been a failure in the business from its start in 1891, nor has there been a failure in it to this date.

A famous promoter was solicited by a committee appointed by dissatisfied stockholders to undertake the combining of the various tin-plate manufacturing concerns, and after an interval of some months he engaged to bring about what was desired, a formal contract was signed and near a year later, after having secured options on about 90 per cent. of the capacity of the mills of the country, he had them united in one organization known as the American Tin-Plate Company with capital stock issued to the amount of $46,000,000, of which $18,000,000 was 7 per cent. cumulative preferred, and $28,000,000, common stock. In taking over the properties of the various companies the owners were paid $100 of preferred and $100 of common stock of the American Tin-Plate Company for $100 appraised cash value of their property. The testimony before the Industrial Commission shows that the pre-

ferred and common stock at par that was paid for some of the plants that were absorbed was four times their cash value.

In his testimony before the commission Judge Moore, the promoter of the combination, said: "The stock was taken by the tin-plate manufacturers for their plants in preference to cash because they could get fifty or sixty points premium for it within thirty or sixty days."

The American Tin-Plate Company was acquired by the United States Steel Corporation upon the payment of $125 of its preferred and $20 of its common stock for $100 of preferred stock of the American Tin-Plate Company, and $125 of its common stock for $100 of the common stock of the tin-plate company, or a premium of $15,100,000 paid by the steel corporation for the stocks of the tin-plate combination. Add to this the premium of 100 per cent., or more, stock payment above the actual value of the plants when they were merged in January, 1899, into the American Tin-Plate Company and see the vast over-capitalization of this constituent of the United States Steel Corporation. The price of domestic tin-plate is based on this capitalization, and must be established to earn dividends on the stock.

THE AMERICAN STEEL HOOP COMPANY.

The American Steel Hoop Company was organized in April, 1899, under a New Jersey charter; it manufactures everything in the line of light iron and steel hoops, bands, cotton ties, bars, round and half round, and about everything that is used in the manufacture of hinges and general hardware. There are nine plants in this combination located in Ohio and Pennsylvania. The capital stock of the company was $33,000,000 of which $14,000,000 was 7 per cent. preferred and $19,000,000 common. In taking over this corporation the stock of the United States Steel Corporation was exchanged for the stock of the American Steel Hoop Company on the basis of par value for each stock.

THE AMERICAN STEEL SHEET COMPANY.

The American Steel Sheet Company was merged into the United States Steel Corporation by an exchange of stock on the basis of par value. The capital stock of the company was $49,000,000 divided equally in preferred and common stock.

THE AMERICAN BRIDGE COMPANY,

whose stock issue amounted to $62,322,000, consisting of $31,372,000 preferred and $30,950,000

common stock; the Shelby Tube Company with stock issue of $5,000,000 preferred and $8,151,500 common, and the Lake Superior Consolidated Iron Mines with capital stock of $30,000,000 were also merged into the United States Steel Corporation. The terms upon which the stock and properties of these three companies, and the American Steel Sheet Company were acquired were not made known to the public, but no doubt they were gotten, as were the stock and properties of the other companies mentioned, at from par to a high premium.

REAL VALUE OF PROPERTIES MERGED INTO UNITED STATES STEEL CORPORATION.

Thus the total stock and bond issue of the eleven companies composing the United States Steel Corporation is shown to be $882,473,000.

As all of these companies, when merged into the great steel corporation, were combinations of companies and partnerships, and had paid extravagant prices for the property they had gotten possession of in order to bring them under one general management for the purpose of restricting competition with a view to getting higher prices for their manufactures, it is safe to say that the cash value of the properties merged into the

United States Steel Corporation was not a dollar in excess of $550,000,000 on the books of the original companies and firms composing the constituent companies of the corporation. As a business proposition it is right and proper when establishing capital stock and estimating the worth of property owned by the company, to place a higher value upon the property than its original cost if the price paid for it is known to be below its actual worth. The buildings and machinery of the various companies had not increased in value after years of use. The lands upon which they stand, doubtless, in some instances may have increased somewhat in value but no material increase. I concede the ore property of the corporation far more valuable than it was when it came into possession of the several companies and that some of the patents owned and controlled by the corporation possess considerable value. Granting all this in the most liberal disposition of mind, I conceive an additional amount of $250,000,000 ample to cover every deficiency, and hold that a legitimate valuation of the properties of the United States Steel Corporation does not exceed $800,000,000. Upon this estimate of the value of the properties of all kinds of the great steel corporation, based upon the testimony before the Industrial Com-

mission in 1901 and from other reliable sources, an estimate that unprejudiced men must concede eminently fair, it is over-capitalized to the extent of $604,000,000. To realize net earnings to protect this watered stock excessive prices must be established and maintained for corporation manufactures, hence a great wrong is inflicted upon the people by the power it has to issue stock that is not upheld by tangible assets.

Is there honesty of purpose in this system of over-capitalization? The just and thoughtful man holds to the contrary. In forming the great industrial combinations the owners of all the principal plants were visited and a proposition was made to each of them to pay two dollars or more of the stock of the new corporation for one dollar of stock or appraised cash value of their properties. Believing that the combination would be effected and that they would be impotent to contend with it in competition for business, and influenced by the offer of payment of two or more shares of stock of the combination for one share of their own stock or property of like value, and persuaded that they could sell the new stock, as Judge Moore told the commission, at a premium of 50 or 60 points within 30 or 60 days and thus realize an inordinate price for the property they

turned over, the proposition of the promoter was accepted. The owners of a majority of the remaining plants were then approached and a proposition made to take over their establishments and holdings at prices ranging from par to a high premium, and they, feeling their powerlessness to compete with factories combined and under one general management with vast capital to sustain them, were compelled to accept the offer made them. In that manner the merging of 80 or 90 per cent. in capacity of the manufactories of the country into powerful combinations was effected and the possibility of effective competition done away with. The few remaining independent manufacturing partnerships and companies were thereafter dominated by the trusts, or combinations, in the fixing of prices, as they knew if they made lower prices for their wares than the trust had established for its manufactures a war of prices would be promptly inaugurated to their complete undoing, that their customers would be taken from them and their business wrecked. A monopoly in a very broad sense was thus established.

Of the $1,400,000,000 capital stock of the United States Steel Corporation $700,000,000 is apportioned to iron ore in the ground; $100,000,000 to coal fields and coke property; $300,-

000,000 to mills, fixtures, machinery, equipments, tools and real estate ; $80,000,000 to transportation properties ; $48,000,000 to blast furnaces ; $20,000,000 to gas fields ; $4,000,000 to limestone quarries, and $148,000,000 in cash and cash assets on June 1, 1902, making complete the amount of capital stock.

Mr. Schwab, president of the corporation, stated in his testimony before the commission that the United States Steel Corporation owns and controls 80 per cent. of the iron ore of the Northwest, and that there was hardly a reasonable limit to place upon its value " as the ore region is not likely to be extended," hence the fabulous value of $700,000,000 he places upon it.

IRON ORE.

Comparatively a few years ago, when not one half the ore that is now in sight was available, there were, doubtless, large mine owners who contended, like Mr. Schwab, that the supply of Northwest iron ore was in limited quantity and that the field was not apt to be extended ; but with the passage of years and increased consumption and demand new fields were opened up to the present great annual output. Referring to the

Northwest iron ore region and the possibility of its exhaustion of ore in a limited period as intimated by Mr. Schwab, Mr. Willis H. King, one of the principal officers of Jones and Laughlin, Limited, of Pittsburgh, next to the United States Steel Corporation the largest iron and steel manufacturers in the United States, a gentleman who understands the requirements of the business he is engaged in and fully comprehends the iron ore situation, said in his testimony before the Industrial Commission in 1901 that his firm owns enough ore in the Lake Superior region to supply their wants for the next twenty-five or thirty years, and added, "more ore will be found when needed, it will become cheaper. The Lake Superior district can supply ore for the steel manufacture of this country for the next 80 or 100 years. I would not like to put that limit on its being exhausted; it is felt the ore will be found when needed."

Mr. King would not go on record as expressing belief that the present developed mines of the Northwest would be exhausted in a hundred years; as an observing man and practical steel manufacturer he had no doubt abundant fields of ore would be discovered and opened up in the Northwest when further supplies are needed.

A thoroughly well-informed writer on the subject of iron ore supplies in an article contributed in December, 1902, said: "There is no reason to doubt many mines will yet be found." As to mines now being worked he said: "One mine opened in 1894–1895 has shipped 7,500,000 tons. It can make similar or larger shipments for many years, and it is opened for enormous annual shipments. Many a mine that years ago was looked upon as near its end, as practically exhausted, is now a bigger property than ever, a larger annual producer and with more ore in reserve than at any time in its history. This has so often been the fact that it is a daring thing to predict the end of an ore body." Continuing his remarks this writer says: "Two years ago no Mesaba ore that assayed under 60 per cent. was considered fit to sell and no account was made of the vast tonnage often found running from 50 to 60 per cent. Millions of tons of ore running down to 55 per cent. have been shipped from the range this year (1902) together with large quantities from other ranges running down to 40 and 45 per cent in iron. There are hundreds of millions of tons of these ores in the lake region." It is to be remarked that the last-mentioned ores are not inferior in the quality of iron they contain, but the

percentage of metal they hold makes them a little more costly to use. Except outside of a few minor holdings the iron ore mines and properties of the Lake Superior region are in less than ten hands. Every new iron ore discovery in the lake region that promises fair to good output is bought up at once by the United States Steel Corporation, and from year to year its monopoly of Northwest ores becomes more pronounced. Independent operators are now almost barred from possessing any of that ore property.

Six or seven years ago the ore of the Lake Superior region was valued at 40 to 50 cents per ton in the ground, so stated by Mr. John W. Gates, chairman of the American Steel and Wire Company, in his testimony before the Industrial Commission, but since the United States Steel Corporation came into ownership and control of 80 per cent. and more of that ore it has increased most wonderfully in value in the estimation of the officers and management of the corporation. One would infer from Mr. Schwab's remarks that this country is in great danger of being exhausted of its iron ore in the course of fifty or sixty years, and in consequence of its possible exhaustion in that period the ore now in sight should bring the most extravagant price; this to influence the

public to believe that the extortionate prices that the corporation has demanded from consumers were warranted by high price of ore, and to inspire confidence in the $700,000,000 steel corporation stock based upon ore in the ground. This ore that was valued at 40 to 50 cents per ton in the ground six or seven years ago sold at about $4.50 at the mines in 1902.

Mr. Schwab also said to the commission that the United States Steel Corporation was a large seller of iron ore to the independent furnace men and iron and steel manufacturers, and owning the vast amount of it they do they are warranted in fixing a full price for it, and the price should not vary; it should be maintained "under all conditions whether the price obtained for iron and steel is profitable or not." Any price named by the United States Steel Corporation for its iron ore establishes the price for all Northwest ores, therefore the independent iron and steel manufacturers are compelled to pay for the raw material required in their business a price fixed by people they are competing with for the sale of the product of their mills. Under such a condition the United States Steel Corporation can sell its product at a small margin of profit, or even at cost, and realize fair net earnings on its business, as abundant profit

comes in from the inordinate price of ore, while the independent manufacturers sustain material loss on every dollar's worth of goods they sell, and face ruin. A most remarkable proposition it is, to be sure, to inflexibly maintain a high price for raw material when the manufactured article is selling at a largely reduced price. And still there are some good and sensible people who think independent manufacturers are not in danger of being driven out of business by trusts, or combinations, that stand ready to use every means their fertile brains can devise to crush competition and monopolize the sale of manufactures. Unless the trust magnates are halted in carrying out their schemes these shortsighted people will yet discover that monopoly is not a myth.

Statements that there is danger of the exhaustion of iron ore in the United States is utterly absurd; they are made solely to bolster up high monopoly prices. There is beyond question billions of tons of it yet to be developed in the Northwestern states, and other billions of tons of it in New York, Pennsylvania, West Virginia, Ohio, Kentucky, Missouri and in western states to the Pacific Ocean, and several southern states contain it in unlimited quantity.

Mr. E. O. Hopkins, president of the Sloss-

Sheffield Iron and Steel Company, of Birmingham, Alabama, stated in his testimony before the commission in 1901 that "there is practically an inexhaustible amount of iron ore within a radius of twenty-five miles of our Birmingham furnaces, and the same is true of brown ore at the Sheffield and Florence furnaces." The Lake Superior ores contain a higher percentage of metallic iron than Southern ores, and in consequence are more valuable, the lake region ores running from 40 to 60 per cent. while Southern ores run from 35 per cent. up to limited quantities of 54 per cent., the best in the Birmingham district producing 38 per cent. of iron.

Southern iron ore is valued at 25 cents per ton in the ground. Is there good reason for putting ten or twelve times that value on the ore in the ground that is owned and controlled by the United States Steel Corporation? It is a well-known fact that the iron and steel produced in the Birmingham district from the ores of that region find sale in large amount in our northern and eastern States and are extensively exported to foreign countries, and it is very certain that those outlets would not be had if the quality was not satisfactory. In this connection it fits in very well to quote further from the testimony of Mr. Hopkins, who said

to the commission, "I heard the president of the Richmond Locomotive works say that the steel they got from Birmingham was as good as any ever furnished them." Certainly no inferior quality of steel would be used in the production of as perfect a machine as a locomotive, and if steel made from Southern ore is as good as any ever furnished the Richmond Locomotive works it does not appear that the country is dependent upon Northwest trust owned and controlled ores for its steel production.

The iron industry was started in Alabama in the latter part of the seventies to reach a production of 37,038 tons of pig-iron in 1878 which was increased to 1,300,000 tons in 1901, a greater pig-iron production in that one southern State than was produced in every State and territory in the Union in 1867. The Birmingham district is not producing pig-iron only, but many forms of iron and steel manufacture are turned out in large amount at the mills in that section. Steel is a recent product of the district, the output is rapidly enlarging and it is being widely used in the south in the manufacture of structural frames, stoves, railway rails, etc. A few years hence the Birmingham district will be one of the greatest iron and steel centers in the world. As iron and

steel can be produced there at less cost than anywhere else in America or in foreign countries, prices will be regulated from that center unless in the meantime the plants and properties are absorbed by the United States Steel Corporation.

There is not the slightest danger of our iron ore being exhausted in a hundred, or several hundred, years to come. It is in almost inexhaustible quantities in a number of our States, and when further supplies are wanted it will be developed and mined. The price of the Northwest iron ore is high and will be kept at an extreme figure because of the ownership control and absorption of ore properties by the United States Steel Corporation. The high price it puts on ore is one of the means it employs to cripple competition.

TRUSTS A BAR TO INDUSTRIAL DEVELOPMENT AND PROGRESS.

No sane man will ascribe the high state of prosperity that has prevailed in this country during the past four years to trusts, or combinations, they are only an incident of it. They have barred the way to the people availing themselves of all that prosperity promised; they have imposed grievous burdens to stifle individual effort, to

crush competitions to the end of monopoly of production and sale of manufactures, and have restricted the avenues of employment. Under their operations the development of the resources of the country is impeded and business contracted. Their so-called economies are conducted at the cost of the discharge of many thousands of capable men from employment, the lessening of opportunity for employment of other thousands of wage-earners by dismantling of plants and concentration of manufacture, the loss of taxes to city, county and State, and in other ways to the injury of the public.

At the end of the first year of the existence of the United States Steel Corporation its net earnings, after deducting $12,736,601 to meet bonded indebtedness and for depreciation of plants, etc., amounted to $111,503,053. After paying 7 per cent. dividend on its preferred stock and 4 per cent. dividend on its common stock that has no property backing and other charges, $25,-015,233 was placed to the account of the sinking fund.

The statement of the United States Steel Corporation covering its second year's business shows net earnings amounting to $133,308,764. After providing for account of sinking fund on bonds of

subsidiary companies, depreciation and extinguishment funds, extraordinary replacement funds, special funds for depreciation and improvements to the amount of $24,774,389, there was a balance of $108,543,374. Interest on United States Steel Corporation bonds $15,187,850, and sinking fund on the corporation's bonds $3,040,000, a total of $18,227,850, reduced the balance to $90,306,524, out of which there was paid 7 per cent. dividend amounting to $35,720,177 on preferred stock, and 4 per cent. dividend of $20,332,960, on common stock, which left undivided profits, or a surplus, for the year of $34,253,557, which, with previous surplus of $25,015,233, made a total surplus of $59,268,790 in the treasury of the corporation out of the earnings of the business for two years.

As the United States Steel Corporation is overcapitalized to the extent of at least $604,000,000, do you think the exacting of such profits as indicated by the net earnings fair and honest? They must be characterized extortion, as such gains on staple manufactures were impossible, and unknown, before the formation of combinations. I question that any individual company or firm conducting a business for the manufacture and sale of articles that are considered staple has

in many years, if ever, obtained anything like so high profit on their wares, and I do not believe it possible they could have realized so great percentage of profit as competition would have held prices in bounds to benefit consumers.

COAL AND COKE FIELDS.

Now let us consider the $100,000,000 of the capital stock of the United States Steel Corporation that is allotted to coal fields and coke properties. Mr. Schwab in his testimony before the commission said, "We own something like 60,000 acres of Connellsville coal. There is no more Connellsville coal; you could not buy it for $60,000 an acre. "The extravagances of Mr. Schwab's language will be apparent before I am done with this subject, and it will be discovered that his company does not have a monopoly of coking coal of high quality and that its holdings of such coal do not possess the value he places upon them. It is in his testimony that the corporation owns 54,269 acres of Connellsville coking coal and owns and leases 33,200 acres of steam coal. The principal value of this coal property is very properly assigned to the coking coal, the steam coal possessing very minor value.

When the Carnegie Company purchased the H. C. Frick Coke Company's properties it secured 40,000 acres of Connellsville coking coal, 11,652 coke ovens, 3,000 cars and other property. The capital stock of the H. C. Frick Company was $10,000,000, for which unquestionably the Carnegie Company paid a large premium. To be absolutely on the safe side we will concede it was taken over at a premium of 50 per cent. or a cost of $15,000,000; then grant the United States Steel Corporation paid the Carnegie Company a premium of 60 per cent. for the property, it, therefore, stands upon its books at a cost of $24,000,000, —the entire holdings of the H. C. Frick Company including the 40,000 acres of Connellsville coal. Such being the case is it reasonable to suppose that the remaining 14,269 acres of Connellsville coal lands belonging to the corporation are equal in value to 40,000 acres of identical land and other property originally possessed by the H. C. Frick Company? The proposition is preposterous. The steam coal acreage owned and controlled by the corporation has small value compared with its coking coal properties, and I hazard the assertion that all coking and steam coal lands in the hands of the United States Steel Corporation are not worth, and would not sell

for one half the sum assigned them in its capital stock. Only one construction can be put upon Mr. Schwab's statement that "we own something like 60,000 acres of Connellsville coal. There is no more Connellsville coal," and that is, that outside of what is termed the Connellsville field no coal can be found that will produce a high grade coke for steel-making purposes. This view of the subject is set aside by Mr. Willis L. King, vice-president of Jones and Laughlin, Limited, a firm that has been engaged in the iron and steel manufacturing business for the past fifty years, who said in his testimony before the Industrial Commission that his firm own coal mines on the outskirts of the Connellsville field from which they get coal abundantly suited for their purposes that the coke made from it fills every requirement of their manufacture, which is as exacting as in the works of the United States Steel Corporation, and that they have a supply there that will last them thirty-five or forty years. Mr. King also said there are fields of coal in West Virginia and other places equally as good as Connellsville for coke-making purposes.

These two gentlemen may be considered equally well posted upon all matters respecting what is required in iron and steel manufacture

and whatever is used in it, but the question arises which is the most reliable at this juncture in statement of facts therewith. In the testimony presented one of them makes the most extravagant assertions as to a limited supply of coking coal in the United States and the value of what his company owns of it, evidently with a view of sustaining many ten millions of dollars of stock issued on fictitious values, while the other, a member of a partnership that has no watered stock on the market, or anywhere else, makes an unbiased statement that the whole supply of high grade coking coal is not owned or controlled by the United States Steel Corporation, that there is plenty of such coal adjoining the Connellsville field and in West Virginia and other places equally as good as Connellsville for coking purposes which can be had at a fair and reasonable price. The only inference to be deduced from this is that the enormous value placed upon its coking coal by the United States Steel Corporation is without warrant in fact. Mr. Schwab's peculiar views of the value of Connellsville coking coal and the justice of issuing $100,000,000, of stock based upon the coal land holdings of his company will hardly find favor with or be accepted by our people however credulous they may be at times.

THE COURSE OF PRICES FOR IRON AND STEEL SINCE THE FORMATION OF COMBINATIONS.

While the United States Steel Corporation was not formed until February, 1901, combinations of iron and steel manufacturing concerns existing prior to that year were potent to advance Bessemer pig-iron from an average price of $10.33 per ton in 1898 to $19.33 per ton in 1899 and $19.49 per ton in 1900. The price declined in 1901, but in 1902 with the United States Steel Corporation, supreme dictator of prices for iron ore and iron and steel products, and producing at its furnaces about 60 per cent. of the Bessemer pig-iron of the country, the price was advanced to $24.25 per ton during the year. During this combination period, wages were advanced 10 per cent. There were no other conditions than this advance of wages and extraordinary demands for pig-iron, steel billets and iron and steel products to warrant uncommon advances of price and no justification for the extortionate prices that were established since 1898. The steel corporation simply had the power to compel consumers to pay whatever price it was pleased to fix for its products, and they were powerless to protect themselves against its flagrant exactions, as supplies could not be obtained

from other sources, the corporation keeping, except at short intervals, just within the limit of price that would admit importations from foreign countries. If it had not been possible to import pig-iron and iron and steel products in quantity to satisfy a large part of our requirements, prices would have been advanced to more extreme figures. The trust was not actuated by kindly sentiment in not adding 10 or 25 per cent. more to prices, the interests of the corporation alone caused them to halt within the limit of price that would open our ports to the foreign manufacturer.

The advantage taken of consumers by the combination was especially noticeable in the advance in price of steel billets for which the highest price named in Pittsburgh in 1898 was $16.50 per ton; under combination control of prices billets were advanced as high as $40.00 per ton in 1900, to decline to $33.00 per ton in 1902. Steel rails were advanced from $17.50 per ton, the lowest price in 1898, to $35.00 in 1900, small lots commanding higher prices. All iron and steel manufactures were enormously advanced in price during the period under consideration, and the manufacturers reaped great profit.

The existing iron and steel manufacturers were

active in 1902 in the construction of new blast furnaces of large capacity which will be in operation in 1903 to supply all the pig-iron this country will require. The working of these new furnaces in conjunction with the old ones means lower prices for both pig-iron and steel billets, and consequently lower prices for iron and steel products. While prices at present are altogether too high for iron and steel and their products, they are much reduced within the year, and with the new furnace addition to the output of pig-iron there will not be a recurrence of extreme prices. If the prices of iron and steel and their products were based on an honest capitalization of the companies producing them, they would be much less than now established, and most satisfactory dividends could be paid.

In November, 1902, the Union Steel Company of Donora, Pa., with rod, wire, and nail mills in operation, and steel works and two blast furnaces of five hundred tons capacity in course of construction to be completed early in 1903, and the Sharon Steel Company with several open hearth furnaces and sheet, skelp and pipe mills, consolidated with capital stock of $50,000,000. In December these properties were purchased by and merged into the United States Steel Corporation,

thus removing from the market what promised to be a troublesome competitor and giving the great steel corporation the control of not less than 85 per cent. of the wire and nail output of the country and materially swelling its output and control of other iron and steel products. We read in the public press that the United States Steel Corporation has been negotiating with Jones and Laughlin of Pittsburgh, and the Sloss-Sheffield Iron and Steel Company of Birmingham, Ala., for their properties, but so far no sale has been made. There is no doubt of the desire of the United States Steel Corporation to possess the holdings of these concerns, and doubtless they will yet be purchased and merged into it. With the acquisition of the property of these two companies the corporation will produce and control the sale of near all the iron and steel output of the United States, and this is apt to occur unless there is some indication of the passage of a stringent anti-trust law in the near future.

THE STANDARD OIL COMPANY.

Reviewing the testimony before the Industrial Commission of the great and powerful corporation known as the Standard Oil Company, it reveals the successful attainment of ends through the in-

strumentality of aggregated capital by unscrupulous scheming and practices that have no parallel in history. It discloses to view means and measures employed to destroy competition and for the achievement of almost complete monopoly of the oil business of the United States such as only a master mind could devise. In fact I can go further and say a monopoly of the oil business as the production and sale of refined petroleum and its products by this company represents not less than 90 per cent. of the output of the United States.

The idea of forming the Standard Oil Company with a view to monopolizing the oil business of this country originated in the giant mind of Mr. John D. Rockefeller, the most sagacious and far-seeing business man the world has ever produced, who in conjunction with Mr. Andrews was operating an oil refinery in Cleveland, Ohio, in the latter part of the sixties.

The success attending the drilling of Colonel Drake's well near Titusville, Pa., which began producing petroleum in August, 1859, caused intense excitement and the influx of a multitude of enterprising men into what is known as the oil regions of Pennsylvania. Wells were drilled in great number and over an extended territory to quickly de-

velop the producing power of the region, and the output of oil amounting to 8,500 barrels in 1859 was two years later increased to 2,118,000 barrels.

TRANSPORTATION AND PIPE LINE CONSTRUCTION AND OPERATION.

The most serious problem oil producers had to face was that of transporting their oil to the refineries and to markets. In the beginning of production, and for several years later, the nearest shipping point on a railroad was twenty-two miles from the wells. Other railroads were distant from twenty-eight to forty-four miles, and these stations had to be reached by wagon teams over bad roads at a cost as high as $3.00 and $4.00 per barrel for transportation, according as the roads were "simply bad or very bad." Oil destined for Pittsburgh was loaded on barges on Oil Creek, floated down to the Alleghany River, and thence by boat to destination. This system of transportation was so costly that it ate deeply into the very capital of the producers and ingenious minds sought to devise some means of relief. From this necessity the pipe-line system was evolved. In the meantime the railroad companies awoke to the fact that an immense carrying was to result from the development of the oil fields, and that their best interests would be

subserved by extending their roads into the oil region and that work was entered upon. Before the end of 1862 one line of railroad was extended to Titusville and another to Franklin. "By means of the latter the Cleveland refining interest received its first great impulse." Oil City was reached in 1865, and within twelve months thereafter the oil-producing territory was well supplied with railroads.

While much was gained by producers in the extension of railroads to the vicinity of their wells, there remained confronting them the high cost of delivering the barrel of oil by wagon to the railroad. This situation was remedied by the introduction of pipe-lines which gathered the oil from the wells and conveyed it to storage tanks at the railroad station or to the cars. The first successful pipe-line was completed and in operation in December, 1865, leading from Pithole to Oleopolis on the Alleghany River, a distance of seven miles. About the same time another pipe-line was completed and operated from the wells to the railroad, some five miles distant. "The effect of these pipelines was to immediately reduce the cost of delivering oil to shipping points from $2.00 and $3.00 per barrel by wagon, according to the condition of the roads, to an uniform price of $1.00 per barrel

by pipe-line." Within twelve months six pipe-lines were in operation in the Pithole territory and the transportation problem well advanced to a satisfactory solution. Tank cars for carrying petroleum in bulk were placed upon the railroads in 1865, which facilitated and cheapened oil shipments.

Mr. Patrick C. Boyle, editor of the *Oil City Derrick*, in his testimony before the Industrial Commission in 1899, said that prior to the laying of pipe-lines in 1865 the cost of sending a barrel of oil from the oil fields of Pennsylvania to New York by railroad was $7.45, and to Pittsburgh by boat $2.00. After the opening of the pipe-lines in December, 1865, the freight by railroad to New York was reduced to $5.55 per barrel, and if shipped via Pittsburgh, by boat and railroad, the rate was $4.59 per barrel.

Authority for building pipe-lines prior to 1872 was granted by special charter passed by the legislature. Other lines were laid in the oil region under authority of special charters before a pipe-line law was passed. In 1870 a free pipe-line law, giving the right of eminent domain in the State of Pennsylvania to companies formed for the purpose of constructing pipe-lines, was offered in the legislature to encounter the successful op-

position of the Pennsylvania Railroad Company. This law was presented in each succeeding legislature to meet with defeat through the opposition of railroads and the Standard Oil Company until the session of 1883, when the clamor of the people, to which expression was given in numerous mass meetings, and urgent petitions to legislators demanding the passage of the law, had effect and it passed by a small majority.

While this free pipe-line law was being urged in the legislature of 1872 the people throughout the oil regions and neighboring counties were filled with righteous indignation, almost to a point to incite revolution and the destruction of the railroads, by the exposure of a corrupt bargain between the Pennsylvania, New York Central and Erie Railroads, signing for themselves and their subsidiary lines and connections, and the principal officers of the Standard Oil Company, who had purchased the charter of the South Improvement Company for the purpose of conducting the business of the Standard Oil Company under it, whereby enormous rebates of freight were to be allowed by the railroads named on all petroleum and its products shipped by the South Improvement Company, and drawbacks of like amount on all such shipments made by all other

shippers were to be paid by the railroads to the South Improvement Company, as the fulfilment of such an infamous contract was bound to ultimate in the destruction of every refining interest not allied with the Standard Oil Company and place the oil producers at its mercy to their undoing and impoverishment.

The Pennsylvania Railroad was then, and for many years afterwards, all powerful to defeat any measure it was opposed to that was before the legislature of Pennsylvania for action; it was bitterly hostile to pipe-lines being extended beyond the territory to which they were then confined, but public indignation was at too high pitch to wholly disregard, and Colonel Scott, who was present at the session of 1872, told the leaders in the movement for a free pipe-line law that he would allow a law to pass with right of eminent domain if not to extend beyond the eight oil producing counties. As this was a large concession and such a law would immensely benefit the oil producers, and as it did not bar future effort to secure a pipe-line law with right of eminent domain to apply to the entire State, his proposition was accepted and the law was promptly passed and went into effect. Under this act granting right of eminent domain to companies formed for the purpose

of building pipe-lines work in the eight oil producing counties was vigorously prosecuted and in comparatively a short time twenty-six additional lines were laid.

As the oil fields of Pennsylvania developed Mr. John D. Rockefeller foresaw the magnitude of the business that would result from the enormous production they promised, and the wealth and power to be gained by one great company acquiring the entire oil-refining interests of the country and the sale of the products of petroleum, and he determined that the company should be created and that he would be its ruling spirit. His plans were laid with consummate skill for the accomplishment of his purposes; he had confidence in his ability to bring his every scheme to a successful conclusion; he had faith that he could create and maintain the mighty oil monopoly now so firmly planted in America, and believed his ability to do this would be admitted by his associates, who would establish him as the head and chief director of any company formed upon lines he would suggest. He did not doubt his ability to maintain himself indefinitely as chief officer of the company, and was certain that great wealth would be his reward. The foundation of the great company he created, which stands to-day

the most wonderful and successful business organization in the world, was laid in 1867, when through his skilful management the firms of William Rockefeller and Company, Rockefeller and Andrews, Rockefeller and Company, S. H. Harkness, and H. M. Flagler, oil refiners of Cleveland, Ohio, combined their plants and business under one general management, of which Mr. John D. Rockefeller was made president.

Quoting from affidavit of Mr. Rockefeller before the Industrial Commission as to the course pursued thereafter in the enlargement of the business of which he was the head, he said: "As time elapsed and the possibilities of the business became apparent, we found further capital to be necessary, obtained the required persons and capital and organized the Standard Oil Company."

THE STANDARD OIL COMPANY OF OHIO.

The Standard Oil Company of Ohio was organized January 10, 1870, with capital stock of $1,000,000. Mr. H. M. Flagler in his testimony before the Congressional Committee on Manufactures in 1888 said the firm of Rockefeller, Andrews and Flagler (the combined firms before mentioned) practically formed the Standard Oil

Company of Ohio and turned its works with a capacity of 600 barrels of crude oil per day over to that company, receiving its stock in payment. The acquisition of refining plants and interests was promptly begun and energetically pushed by the president and officers of the new company to enlarge its business and power, and continued until available means were exhausted. On February 12, 1872, the capital of the company was increased to $2,500,000. It is in evidence that Colonel Thomas Scott of the Pennsylvania Railroad, Mr. William H. Vanderbilt of the New York Central Railroad, Mr. Jewett of the Erie Railway, and Mr. Waters of the Lake Shore and Michigan Southern Railroad became stockholders in the Standard Oil Company at this time.

THE SOUTH IMPROVEMENT COMPANY.

A short time before the increase of the capital stock of the Standard Oil Company its officers, acting for the company, purchased a charter issued by the State of Pennsylvania in May 1871 to S. S. Moon and others to form a corporation to be known as the South Improvement Company, one of the most remarkable charters ever granted by a State; perpetual as to time, no limit to capital stock, license to engage in any and every busi-

ness save only banking and the issue of money, authority to do business at will in any State, territory or foreign country, the fullest authority for the officers and directors to conduct the affairs of the company in such manner as pleased them without question from the public, and not a soul responsible for anything. A liberal charter indeed that unscrupulous men could use with telling effect in every plan and purpose of oppression and spoliation they might determine to employ for their advancement to wealth and power.

The leading men of the Standard Oil Company did attempt to use the charter of the South Improvement Company to destroy opposition to their quick monopoly of the oil business of the United States by entering into a conspiracy with certain railroad companies for the transportation of petroleum and its products upon terms that would utterly destroy the business of their competitors, and establish them the sole refiners of petroleum in this country to not alone fix extortionate prices for refined oil, but to dictate the price for crude oil to the impoverishment of producers.

On January 2 1872 Messrs John D. Rockefeller, William Rockefeller, H. M. Flagler, J. A. Bostwick, W. G. Warden, O. H. Payne, P. H. Watson, O. H. Waring, Richard S. Waring,

Charles Lockhart, William Frew, John P. Logan and W. P. Logan organized as a body corporate under their purchased charter of the South Improvement Company for the purpose, beyond question, of merging into it the various interests of the Standard Oil Company. This conclusion is warranted by the statement of W. G. Warden, secretary of the newly organized company, in his testimony, in which he said that "the purpose of the South Improvement Company was to refine oil and get all the refineries of the country into the company." As the organizers and principal men at the head of the South Improvement Company were officers, directors and large stockholders of the Standard Oil Company, and as that company had absorbed a number of the principal, the largest, refineries of the country, it is not, for a moment, to be presumed that it would be left out the combination then planned.

The Standard Oil Company magnates practised methods peculiar to themselves to reach the power of monopoly such as the ordinary business man possessed of conscience would not feel comfortable in using. It is a matter of history and of evidence before the Industrial Commission that a large number of refiners were forced to sell their plants and business to the Standard Oil Company

after being informed of its special freight agreement with the railroads, by threats of the destruction of their business if they attempted to operate their refineries independently. The truthfulness of this averment is verified by Mr. Frank Rockefeller, brother of Mr. John D. Rockefeller, in his testimony before a congressional committee on July 7, 1876, when he said that Henry M. Flagler and John D. Rockefeller said to him, "If you don't sell your property to us it will be valueless because we have got advantages with the railroads." Continuing his testimony he also said, "We had in Cleveland at one time about 30 refineries, but the South Improvement Company was formed and the Cleveland Companies were told that if they did not sell their property to them it would be valueless, that there was a combination of railroad and oil men, that they would buy all they could and that all they did not buy would be totally valueless because they would be unable to compete with the South Improvement Company, and the result was that of the 30 there were only four or five that did not sell."

Another witness testified before the Industrial Commission that the Standard Oil Company, through Mr. John D. Rockefeller, induced 20 of the 25 independent refiners of Cleveland by

threats to destroy their business, to sell their works to the Standard at values placed upon them by appraisers of his selection.

The infamous rebate and drawback contract between the railroads and the South Improvement Company, which threatened the absolute destruction of the independent refining industry in the United States, and the placing of every oil producer in subjection to the South Improvement Company, was signed January 18, 1872, by J. Edgar Thompson, president, for the Pennsylvania Railroad Company and all railroads it owned and controlled, by William H. Vanderbilt, vice-president, for the New York Central and Hudson River Railroad and the Lake Shore and Michigan Southern Railroad Company, by Jay Gould, president, for the Erie Railway Company and for the Atlantic and Great Western Railroad Company, and by Peter Watson for the South Improvement Company. The contract was to remain in force for a period of not less than five years from date, "and not to terminate then or thereafter until one of the parties shall have given twelve months' written notice to terminate it."

The contract with the Pennsylvania Railroad Company on its own behalf and on behalf of the railroads owned and controlled by it is in sub-

stance that "the Pennsylvania Railroad Company will pay to the South Improvement Company on all petroleum and its products transported over its railroads and connections for it, rebates, and on all transported for others, drawbacks, except from points on the Oil Creek and Allegheny River Railroad to Oil City, Union, Cory and Irvineton, which are designated common points," the gross rates to be on each barrel of 45 gallons in bulk, and on each barrel of 47 gallons in barrels.

ON CRUDE PETROLEUM.

From any common point, named above, (for each barrel of 45 gallons) to—

Cleveland	80 cents
Pittsburgh	80 "
New York	$ 2.56
Philadelphia. . .	2.41
Baltimore	2.41
Boston	2.71

ON REFINED OIL, BENZINE AND OTHER PRODUCTS OF THE MANUFACTURE OF PETROLEUM.

From Pittsburgh (for each barrel) to—

New York	$ 2.00
Philadelphia . .	1.85
Baltimore	1.85

From Cleveland (for each barrel) to—

Boston	$ 2.15
New York	2.00

Philadelphia . . .	$1.85
Baltimore	1.85

From any common point, named above, all in the oil region, (for each barrel) to—

New York	$ 2.92
Philadelphia . . .	2.77
Baltimore	2.77
Boston	3.07

Petroleum refineries were first established in Pennsylvania. As early as 1865 there were 90 of them in operation in the oil regions, and Oil City, Union, Cory, and Irvineton, which were designated common points in the South Improvement Company contract with the railroads, were the shipping points for their product. A comparison of the freight rates on refined oil, benzine and other products of the manufacture of petroleum shows discrimination in favor of the South Improvement Company against the independent refiners at common points of 92 cents per barrel from Pittsburgh and Cleveland to the seaboard, an amount the refiners in the oil regions would have regarded a splendid profit on a barrel of oil.

Besides these outrageous discriminations in freight rates against the oil region, the benefit of which was to accrue to the South Improvement Company in particular, there comes the rebates and drawbacks granted exclusively to that company

by means of which absolute monopoly of the refining and sale of petroleum and its products was assured it. The railroad company under its contract agreed to pay and allow the South Improvement Company on all petroleum and its products that it shipped over the Pennsylvania Railroad and roads under its control the following rebates, and drawbacks of the same amount, on all petroleum and its products transported for others.

Rebate per barrel on the transportation of crude petroleum from the gross rate from any common points, in the oil region, to—

Cleveland	40 cents
Pittsburgh . . .	40 "
New York . . .	$ 1.06
Philadelphia. . .	1.06
Baltimore	1.06
Boston	1.06

which alone would have insured a large profit to the South Improvement Company over any possible returns to its competitors.

The production of crude petroleum in 1872 was 6,539,100 barrels.

Rebate per barrel on transportation of refined oil, benzine and other products of the manufacture of petroleum from the gross rate from

Pittsburgh to.....	New York.....	50 cents.
	Philadelphia.....	50 "
	Baltimore	50 "

Cleveland to	Boston	50 cents
	New York	50 "
	Philadelphia	50 "
	Baltimore	50 "
Common points in the oil regions to	New York	$1.32
	Philadelphia	1.32
	Baltimore	1.32
	Boston	1.32

Do not overlook the fact that, besides the rebates mentioned, the South Improvement Company was to be paid a like amount as a drawback on all petroleum and its products shipped by competitors. To illustrate this, the South Improvement Company was to receive a rebate of 50 cents on every barrel of refined oil, benzine and other products of the manufacture of petroleum it shipped from Pittsburgh and Cleveland to the eastern seaboard, and 50 cents per barrel as a drawback on all such shipments made by others from same points to the same destination, or a total of $1.00 for every barrel of refined oil and the products of petroleum transported from Pittsburgh and Cleveland to Boston, New York, Philadelphia and Baltimore.

While the South Improvement Company (which meant the Standard Oil Company) was not refining in the oil regions, the $1.32 per barrel allowed on shipments from the common

points (all located in the oil region) represented the drawback to be paid to it on every barrel of refined oil, benzine and other products of the manufacture of petroleum shipped by the refiners of that region to the seaboard. Provisions for payment of rebates and drawbacks were also made upon a liberal scale on shipments from points other than those mentioned to the seaboard, and to points west, northwest and south of Pittsburgh and Cleveland. Nothing was left undone in the line of freight discrimination that would advantage the South Improvement Company and hurt independent refiners and producers.

In the face of a proposition of this nature do you think it possible for a competitor to live? Is it not your deliberate judgment that the carrying out of the terms of such a contract meant the early and permanent subsidence of all competition and the founding of a grinding monopoly?

The history of this iniquitous compact does not end here, more was granted the South Improvement Company than the payment of big rebates on all petroleum and its products it was expected to ship, and the payment of drawbacks of like amount to it by the railroads on every barrel of

petroleum and the products of its manufacture that they expected to carry for producers and independent refiners. The contract stipulated that the railroad company was to keep a record of all petroleum and its products transported by it, showing the number of barrels in bulk and in barrels, points of shipment and destination, amount of freight paid, and name of consignor and consignee, "which record shall at all reasonable times be open to the inspection of an accredited representative of the South Improvement Company," and monthly abstracts of all such records were to be sent regularly to the company.

The contract also required the railroad company to send daily to the South Improvement Company duplicate manifests, or way bills, of all petroleum and its products carried by it and its subsidiary roads, with name of consignor and consignee, place from whence shipment was made and destination of same, kind and actual quantity of articles shipped, and rate of and amount of freight paid. And it was further covenanted that the railroad company would charge all other shippers "no less than the gross rates above specified, and should any less rate be charged at any time for the transportation of petroleum and

its products, directly or indirectly, either by rebate, commission, allowance or any pretext whatsoever, the same reduction per barrel shall be made the South Improvement Company from the net rate provided for it on all articles transported for that company during the period in which the reduction was made to others." Finally, to make sure of the attainment of all that was desired by the South Improvement Company it was agreed that the railroad company "would at all times co-operate with it to maintain its business *against loss or injury by competition* to the end that the South Improvement Company keep up a remunerative, full and regular business with the railroad, and for that purpose the railroad would lower or raise the gross rates for transportation as far as the laws of the country would permit, for such time and to such extent *as may be necessary to overcome such competition*, the rebates and drawbacks to the South Improvement Company to be varied *pari passu* with the gross rate."

The New York Central and Hudson River Railroad, Lake Shore and Michigan Southern Railroad, Erie Railway, and Atlantic and Great Western Railroad contracts with the South Improvement Company were identical in terms with the contract with the Pennsylvania Railroad

Company in the matter of rebates and drawbacks, reporting shipments of competitors and all particulars of their shipments, co-operation with the company to maintain its business against injury or loss by competition, and their powerful aid to destroy the business of its competitors. In consideration of these most remarkable concessions and agreements upon the part of the railroads the South Improvement Company allotted 45 per cent. of its shipments to the seaboard and intermediate points to the Pennsylvania Railroad, 27½ per cent. to the New York Central Railroad and its connections, and 27½ per cent. to the Erie Railway and its connections.

Mr. M. L. Lockwood, independent oil producer, of Butler county, Pennsylvania, in his testimony before the Industrial Commission in 1899 said: "When the provisions of the contract between the railroads and the South Improvement Company became known it created such a furore in the oil regions as has seldom been seen, men saw the principles of equal rights destroyed, the highways over which their products must go to market being in the hands of a set of brigands who had pledged themselves to rob the people of an average of more than $1.00 a barrel on all the oil they produced and give it to the 13 men who

constituted the South Improvement Company. Men came together and consulted, meetings were called, and the more that was learned of the provisions of the South Improvement Company contract the more awful the crime which was attempted against the rights of the people developed to be. Mass meetings at Franklin, Oil City, Titusville and Parkers were attended by thousands. Men determined that if the railroads were to be used to destroy the great American right of equality they would have no railways, they would tear up their tracks and burn their bridges." Demands were made of the legislature in the best interests of the people that the South Improvement Company charter be repealed. The demand was heeded, and on March 25th, two months and 22 days after the organization of the company, the charter was revoked.

REBATES.

After the repeal of the South Improvement Company Charter, the Standard Oil Company of Ohio continued its policy of merging refineries to restrict competition and increase its powers. Whilst it was an almost universal practise of the railroad companies to grant rebates to shippers, the Standard was favored above all others; the

rebates paid to it were so much in excess of rebates to others that it enabled it to market its products, if it conceived it to its interests to do so, at a price representing a fair profit, when the same price made by a competitor on his product meant a loss to him. The practise of conceding rebates to shippers continued down to the passage of the law creating the Interstate Commerce Commission in 1887.

An example of the rebates paid the Standard Oil Company in that period mentioned in the report of the Industrial Commission is from the testimony of Mr. A. J. Cassatt, then vice-president of the Pennsylvania Railroad, in which he said that at the time of certain shipments by the Standard Oil Company the rate on oil was $1.90 per barrel, but the rate to the Standard was 80 cents, a difference of $1.10 which was paid to that company as a rebate. Mr. J. D. Archbold, vice-president of the Standard Oil Company, in his testimony acknowledged payment of rebates of 64½ cents per barrel by the Pennsylvania Railroad Company to the Standard.

Interesting correspondence upon this subject is noted in the report of the Commission between Mr. Daniel O'Day, general manager of the Standard Oil Company, and Mr. Cassatt, of the

Pennsylvania Railroad. Mr. O'Day wrote Mr. Cassatt that "We have for many months received from the New York Central and Erie Railroads certain sums of money, in no instance less than 20 cents per barrel on every barrel of crude oil carried by each of these roads. I am constrained to say to you in justice to the interests I represent we should receive from your company at least 20 cents per barrel on each barrel of crude oil you transport. In submitting this proposition I feel that I should ask you to let this date from the first of November, 1877, but I am willing to accept as a compromise the payment by you of 20 cents a barrel on all the crude oil shipped commencing February 1, 1878. I make this proposition with the full expectation that it will be acceptable to your company, but with the understanding on my part that in doing so I am not asking as much of the Pennsylvania road and its connections as I have been and am receiving from the other trunk lines."

In this letter of Mr. O'Day he requests, rather, plainly demands, payment of 20 cents per barrel on all crude oil transported by the Pennsylvania Railroad and its various subsidiary roads, not only for the Standard Oil Company but for the crude oil transported for all others since No-

vember 1, 1877; but rather than there should be contention between them he would compromise on the payment of 20 cents per barrel on all crude oil carried by the roads since the first day of February, 1878. Respecting the subject matter of this letter, Mr. Cassatt said in letter to Mr. R. W. Downing, comptroller of the Pennsylvania Railroad: "I agreed to allow this commission from and after February 1st until further notice after having seen receipted bills showing that the New York Central Railroad allowed them a commission of 35 cents a barrel, and that the Erie Railway allowed them a commission of 20 cents a barrel on Bradford oil, and 30 cents a barrel on all other oil, and that they had been doing so continuously since the 17th day of October last. Of this, however, you saw the evidence yourself in the bills which I submitted to you last week. Please, therefore, prepare vouchers in favor of the American Transfer Company, per Daniel O'Day, for this commission of 20 cents per barrel on shipments during February, March and April, and hereafter make settlement monthly."

The payment directed by Mr. Cassatt, as above, of 20 cents per barrel on crude oil shipments for the months of February and March amounted to

$68,753.50. The American Transfer Company, to whom payment was made, is a constituent of the Standard Oil Company, its transportation company.

Thus is shown the dominion of the Standard Oil Company over the three most powerful railroads of the country in 1878, and in after years its demands were promptly acceded to without protest.

The vast sum received yearly by the Standard Oil Company in rebates on crude oil shipped from the oil regions of Pennsylvania can be better estimated when it is understood that the average annual production from 1878 to 1886 inclusive was 22,888,708 barrels, and that three-fourths or more of it was carried from the oil fields to distant refineries and to markets by railroads paying rebates. This in conjunction with rebates paid by the roads on refined oil poured a vast treasure into the vaults of the company to facilitate the work of destroying competition and perfecting monopoly. The intensity of indignation so universally felt among the oil refiners and producers in the oil regions at that time, and that has not yet abated, is manifest in the utterance of Mr. Lockwood who said to the Commission: "The facts which I shall present I desire

to be construed against an accursed system of railway discriminations which have made this great curse, the Standard Oil Trust monopoly, a possibility. Against a system that has enabled the Standard Oil Company people to drive into obscurity, bankruptcy or servitude, the men whose energy and enterprise developed the great oil producing and refining business of America, for before the blighting curse of railway discriminations was turned against the oil refining men they prospered and grew rich in the refining business. They doubled the capacity of their refineries, adopted new and better processes, and were going forward in a business that promised much for themselves and their descendants. No business ability however great, no better process however superior, could triumph when the highways over which you must go to market were closed against you and manipulated in the interest of your competitors. The competitive contest in the business forced hundreds of the best minds to the study of better and more economic processes in refining, and the most rapid strides were made in perfecting and cheapening cost. Many refinery men made many buyers of crude oil, and the producer selling his oil in the com-

petitive market was enabled to obtain a fair share of the profit in the business."

Mr. Rockefeller and his associates, not being satisfied with the power they then possessed, resolved to perfect an organization through whose instrumentality every obstacle barring their way to complete monopoly of the oil business could be overcome, and to that end transformed the Standard Oil Company into the

STANDARD OIL TRUST.

The Standard Oil Trust was organized January 2, 1882, and conducted its business under the trust form until 1892 with great satisfaction, as the management was able "to keep people who had no business to know from knowing the secrets of the trust" and interfering with their well-laid plans to bring about the destruction of their competitors.

In 1892 the court declared the Standard Oil Trust an illegal combination in restraint of trade and it was dissolved to resume corporate existence under its State charter.

The nine directors the trust agreement provided for were duly elected. Messrs. John D. Rockefeller, O. H. Payne, William Rockefeller, J. A. Bostwick, H. M. Flagler, W. G. Warden,

Charles Pratt, Benjamin Brewster and John D. Archbold were elected as the board of trustees. "Thirty-nine companies and firms joined in the trust agreement, 14 of them assigned all their stock to the trustees, except a few shares they had to retain in order to preserve their state organization, and 25 assigned a controlling interest." The trustees individually owned a majority of the stock of the various companies, and were in fact managing their own property. The aggregate capital stock of the companies and partnerships in the trust amounted to $47,830,200.

PIPE-LINE HISTORY.

The opposition of the Standard Oil Company in the early seventies to the passage of a free pipe-line law giving the right of eminent domain to companies formed for the purpose of building pipe-lines was due to the favorable contracts it had with the railroads for transporting crude oil and the output of its refineries, through the operation of which the company believed it could, in a reasonably short time, destroy competition and monopolize the oil business of the country. Upon the failure of the South Improvement Company scheme a large measure of advantage was lost, and as it was apparent that

minimum cost of transporting oil could only be attained by means of pipe-lines the Standard began to purchase them and ceased opposing the passage of a pipe-line law. This change of heart occurred about 1877, and likely it was then that Mr. Rockefeller realized what he declared in his affidavit of December 30, 1899, to the Industrial Commission, that "the entire oil business is dependent upon this pipe-line system, without it every well would shut down and every foreign market would be closed to us."

By 1874 the oil fields contained an extensive mileage of pipe-lines, the larger part of which was merged into the United Pipe Line Company formed that year. By 1877 nearly all the pipe-lines in the oil territory had been absorbed by the United Pipe Line Company, which was then purchased by the National Transit Company, a subsidiary company of the Standard Oil Company. The possession of this pipe-line system was of very great consequence to the Standard Oil Company to lessen cost of transportation of oil to its tank cars and storage tanks, for the power the ownership of the lines gave to hamper the operations of independent refiners in obtaining supplies of crude oil at as low cost as their great competitor, and the facilities their posses-

sion afforded to force producers to sell their crude oil to the Standard Oil Company at reduced prices. The purchase of the United Pipe Lines was made comparatively easy by reason of supplies of oil being diverted from them and their business made unprofitable by efforts put forth by the Standard to accomplish that end, and because of the railroads having turned over their terminals on the seaboard to that company, thus excluding all others from storage of their oil at terminal points on our eastern coast and practically constituting the Standard Oil Company the only shipper of oils to those points. Thereafter, almost as soon as a new pipe-line was laid it was purchased by the Standard in the name of the National Transit Company. The independent pipe-line companies were hindered in many ways by the railroads in the interest of the Standard Oil Company, that was constantly profited and strengthened by their acts.

In 1883 the Standard Oil Company controlled 90 per cent of the capacity of pipe-lines leading from the oil fields.

The first attempt to transport oil to the seaboard by pipe-line was made by independent oil men who constructed a line from the oil regions to Buffalo, New York; shipment thence by boat

and barge through the Erie canal to New York harbor. The canal being closed during the winter months, this did not prove to be a desirable or profitable route, so another line was projected, which was entitled the Tidewater Pipe Line Company Limited, that secured right of way and laid a six-inch pipe from the Bradford oil fields to Williamsport (110 miles), the terminus of the Catawissa branch of the Philadelphia and Reading Railroad, from which point shipment was made to Philadelphia and New York under contract with the Philadelphia and Reading and the Central of New Jersey railroads. In this way the independent oil men could land their oil at the seaboard at the rates paid by the Standard Oil Company to the trunk lines of railways. This pipeline was completed and oil pumped through it and carried to the seaboard in June, 1879.

Upon the opening of the Tidewater Pipe Line for business the Standard Oil Company representatives met the agents of the four trunk lines of railroads in conference, on June 5th, when an agreement was reached, under which the railroads established for the Standard a rate of 20 cents a barrel (reduced from the regular rate of $1.40 per barrel) on crude oil to New York, Philadelphia and Baltimore to go into effect June

1st, a price that was then charged to pipe a barrel of oil from the wells to a shipping point on the railroad only a few miles distant from them. Four years later, in 1883, the Tidewater Pipe Line was absorbed by the Standard Oil Company, and the competition it fostered was largely done away with.

Whilst the first pipe-line from the oil regions towards the seaboard was laid in 1879, the first through pipe-line to the coast was built in 1883 by the Standard Oil Company. The idea of transporting oil through pipe-lines in the oil fields to storage tanks, to the railroads, and to New York, Philadelphia and Baltimore, was not original with the Standard Oil Company, the independent oil men originated that system of transportation at the oil fields, and projected the first line reaching out to the seaboard, but not completed to it on account of the opposition of the railroads—instigated by the Standard Oil Company.

The independent oil producers and refiners organized the United States Pipe Line Company in 1890, and began the construction of its pipe-line from the oil fields via Hancock on the Delaware River and through New York State to the Hudson River. When the line had been laid to

near Hancock the Erie Railway would not permit the placing of the pipes under its tracks and over its right of way, thus successfully blocking further advance. As no legal steps could be taken by which to obtain authority to cross over the right of way of the Erie Railway that route had to be abandoned.

The legislature of the State of New York passed in 1878 the first pipe-line law that was enacted in the United States, giving the right of eminent domain to companies formed for the purpose of building pipe-lines. This law was in effect when the United States Pipe Line Company began laying its pipes and until just before they reached the vicinity of Hancock, when the legislature repealed that part of it giving the right of eminent domain; without that right the Pipe Line Company was powerless to go on with its work in the State of New York, and that route had to be given up. The independent oil men believe the repeal of that feature of the law was at the behest of the Standard Oil Company, and as its interests would have been affected more than the interests of the State, or a multitude of other people, it is a very natural inference. The fact that the Standard Oil Company dominated the Erie Railway and other trunk

lines of railroads must not be overlooked, when we consider the opposition of that company to the pipes being carried across its right of way.

Being barred from crossing the State of New York with its pipes the United States Pipe Line Company made a new start to the seaboard from Athens, Pennsylvania, about four miles from the New York State line, thence to Wilkesbarre and on through New Jersey to New York bay. When the track of the Belvidere Railroad, owned by the Pennsylvania Railroad Company, was reached a halt was called by an injunction, although the Pipe Line Company owned an acre of land at the proposed crossing. Upon trial of the case a decision was rendered in favor of the United States Pipe Line Company, and after a year's delay the crossing was effected and the laying of pipes advanced further into the State. When the tracks of the Delaware, Lackawanna and Western Railroad were reached, at Washington, New Jersey, which were laid over land owned by the Pipe Line Company, the pipes were laid under them at night to avoid the stopping of work by injunction. The next morning a strong force of men appeared under orders from the Railroad Company to remove the pipes, but they were repulsed. A day or two later some

250 men appeared and attacked those guarding the pipes, and they also were compelled to retire. It was then agreed to take the matter into court, which was done, and after seven months' delay a decision was rendered in favor of the Pipe Line Company. During that seven months the United States Pipe Line Company maintained a strong guard, armed with Springfield rifles, at the crossing to prevent the removal of its pipes. After the decision of the court was handed down work was resumed and the line completed to Hampton Junction, 51 miles from New York harbor. The line could not be completed to New York because of the opposition of railroads to the pipes crossing their right of way. This was a double pipe-line starting from Bradford, Pennsylvania, one pipe for crude oil, the other for refined.

Mr. Lewis Emery, Jr., in his testimony before the Industrial Commission, referring to the United States Pipe Line Company's contention with the Delaware, Lackawanna and Western Railroad about the crossing at Washington, New Jersey, said: "We bound our pipes in with wire and we tied them down; we barricaded our house and staid there for seven months holding possession until the court decided we had a right to stay there.

The very men who are at the head of this—I know them—the men who were there on watch, were in the employ of the Standard Oil Company."

The oil received at Hampton Junction through the pipes is transported to New York harbor by the Central of New Jersey Railroad under contract with the United States Pipe Line Company to perform that service.

It is in evidence that the Standard Oil Company obstructed the building of this pipe-line by taking options at extreme prices on the right of way it was expected to cross. "Its agents would offer to take an option on the right of way over a farm at more money than the entire farm was worth;" and overbid the Pipe Line Company whenever opportunity offered.

After four years, the case having been appealed, the higher court handed down its decision, overruling the judgment of the lower court, denying the right claimed by the United States Pipe Line Company to lay its pipes under the track of the Delaware, Lackawanna and Western Railroad, and ordered the removal of the pipes it had so laid. A decision that has been much criticised and severely condemned.

The Standard Oil Company had insisted that

refined oil could not be transported to a distant point through pipes without impairing its quality. This illusion was dispelled when it became known that many hundred thousands of barrels of refined oil had been pumped through the pipe to Hampton Junction, and not a barrel of it condemned. This according to the testimony of Mr. James W. Lee before the Industrial Commission in 1899.

Another example of the methods of the Standard Oil Company in dealing with a rival, or competitor, in any branch of its business, and the despotic power it exercised over great railroad companies to compel compliance with its demands, is seen in its contest in 1877 with the Pennsylvania Railroad Company to compel it to crush the Empire Transportation Company, then operating near a thousand tank cars and 400 rack cars over its road, and about 500 miles of pipe-line in the oil regions.

The Empire Transportation Company having secured a pecuniary interest in a large refinery in New York and in one in Philadelphia, it was made a pretext by the Standard Oil Company to charge the railroad company with discriminating in rates in favor of the Empire Transportation Company, and for it to demand a material in-

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crease of rebates on all of its products carried by the railroad. The demand for larger rebates being refused, the Standard then required the railroad company to purchase the properties of the Empire Transportation Company as a condition of further business with it; this also being refused, the Standard Oil Company at once ceased shipping over the Pennsylvania Railroad and its subsidiary lines, and induced the New York Central and Erie Railroads to engage in a rate war on oil shipments to harass the Pennsylvania Company. The reduced rates were met even to the extent of transporting oil at a loss. At the same time the Standard Oil Company made a big reduction in the price of refined oil in the war it declared against the two refineries the Empire Transportation Company was interested in, and wherever their oil was offered for sale the Standard oil could be had at less price. The business of the two refineries ceased to be profitable, and there was no prospect of its being otherwise if the Standard continued its war against them.

The Pennsylvania Railroad carrying for the Standard Oil Company represented two-thirds of its entire oil transportation and its loss proved a very serious matter, for during the period of its

withdrawal the money loss to the railroad was a million dollars or more. The Standard had made its power felt, and the railroad company was humbled and ready to make terms, and before the close of the year surrendered unconditionally. Under the terms of surrender the Pennsylvania Railroad Company purchased all the tank and rack cars of the Empire Transportation Company, and the Standard Oil Company bought the two refineries and its pipe-lines. When this transaction was completed the Standard restored its full quota of shipments to the railroad company, who did not again revolt.

Here ended the life of a great transportation company that had proved itself a benefactor to the independent oil men of Pennsylvania. Its destruction was instigated and accomplished by a set of men void of conscience in business matters, who regarded it an obstacle to their monopoly of the oil business of the United States; a set of men who hold "the ends justify the means." At the present time the Standard Oil Company is operating two pipe-lines to New York and a line to each of the following cities: Philadelphia, Baltimore, Pittsburgh, Buffalo, Cleveland and Chicago. Considering these several lines, which pass over a great stretch of country, through

many States, it appears that the right of eminent domain was not restricted whenever the interests of the great monopoly required its application.

ABSORPTION OF INDEPENDENT REFINERIES BY THE STANDARD OIL COMPANY.

Inordinate freight discriminations against independent refiners and the cutting of prices by the Standard Oil Company in markets where their oil was for sale, made the business unprofitable, and they fell an easy prey to their mighty adversary who purchased and dismantled many of their refineries. Other independent refineries were leased and shut down, and allowed to remain inactive, so as production could be kept down to a quantity that could be disposed of in our own and the world's markets, at such price as the Standard was satisfied to fix for it.

Testimony before the Industrial Commission that the Pennsylvania Railroad Company refused to supply tank cars to independent oil men for transportation of crude oil to their refineries, or supplied them only occasionally in insufficient number, and would not allow them to use their own cars over its road for the purpose of carrying the oil to their establishments when it was urgently needed to keep them in operation was

not disproved. This hampering of the business of the independent refiners was practised by the Pennsylvania Railroad Company with a view to profiting the Standard Oil Company, by which it was dominated, the object being to so dissatisfy and dishearten refiners that they would sell their refineries to the Standard and end their competition with it. Mr. Emery, testifying upon this subject, said: "I owned a pipe-line in my country, from my wells and other wells down to the railroad, and they refused to furnish me cars. The Pennsylvania Railroad owned 1,126 tank cars. I used them for a time until the order came from the Standard Oil Trust that I must get no more oil. Previous to this time they had been delivering my oil. With a great big refinery in Philadelphia and a railroad running through my land, I could not get a single car. I got one in a week, or one in two or three weeks, or one in four weeks, but I was deviled to death, until I had to quit."

Mr. Emery's refinery and another large refinery close by it in Philadelphia were purchased and "torn down" by the Standard Oil Company.

Another witness, one of a committee of independent oil men who called on Colonel Scott and Mr. Cassatt of the Pennsylvania Railroad to re-

quest that cars be supplied for the transportation of their crude oil, and to ask that they be put on an equality with the Standard Oil Company in the matter of freight rates, testified that in the interview with them, "we told Colonel Scott that if they hadn't sufficient cars on their road we would like to put some on, and he told us flatly that they had just bought out one line and they would not allow another to be put on; that if they hadn't cars enough they would build them."

Such was the answer to men pleading for their rights to a public carrier that the law says must treat all shippers alike. The committee were denied cars, and the same freight rates granted the Standard Oil Company.

In this day we can hardly conceive it possible that a few men so completely ruled a great railroad company and dictated its policy as was done a few years ago by the Standard Oil Magnates; but they were, and are, exceptional men who compelled obedience to their demands. Mr. William H. Vanderbilt testified before the Hepburn Committee, August 27, 1879, to the ability of these gentlemen to accomplish their designs when he said: "I think they are smarter fellows than I am, and if you come in contact with them I

guess you will come to the same conclusion;" and said further that "I don't believe that by any legislative enactment or anything else through any of the States or all of the States you can keep such men as them down."

THE STANDARD OIL COMPANY (of to-day).

Upon the dissolution of the trust in 1892 the nine gentlemen who had acted as trustees being owners of a majority of the companies in the trust organization reorganized and merged them into a corporation, the same Standard Oil Company only the trustees eliminated. The 39 companies that had combined in trust form came into the new corporation as 20 companies capitalized at $102,233,700. The policies formerly pursued were unrelentingly continued, everything had to give way in the company's interest, and marked advantages over others engaged in the same business must be accorded the new combination. No competition of moment was brooked, means were promptly employed to suppress it. If a new oil-producing field was opened up Standard Oil Company agents were instantly on hand to fix the price of the oil coming from its wells; if a new pipe-line was laid the Standard paid a premium for the oil of the contiguous territory

and the line had no business and soon passed into possession of the big company; if a refiner proved troublesome in any way, if he entered territory the Standard claimed as its own, and it claimed about all valuable territory, or if his business was markedly prosperous prices were cut until his business was destroyed and then his refinery was purchased and either closed or dismantled. Centralization of absolute power in the oil business must be achieved by the one great company regardless of the rights of others.

One of those remarkably liberal charters issued by the State of New Jersey was obtained and in February, 1898, the Standard Oil Company, the present monopoly, was organized with capital stock still standing at $102,233,700, of which $52,455,200, represented the value of pipe-lines. In his testimony before the Industrial Commission in 1899, Mr. George Rice, of Marietta, Ohio, a man who had suffered much and sustained large loss at the hands of the Standard Oil Company and who had devoted years of time in studying its methods and its affairs, stated that "during the ten years of the Standard Oil Trust, 1882 to 1892, it paid out in dividends more than double its capital stock in 1888 (capital stock was then $47,830,200), and from March 21,

1892, and including September, 1899, dividend, they have paid 30 quarterly dividends of 3 per cent. each, or 90 per cent in all, and paid 77 per cent. in specials (none of them paid prior to December, 1895), or a total of 167 per cent. on a capital of $102,233,700, a total of dividends in the 6½ years of $170,730,279. Larger dividends could have been paid had not earnings been used in purchasing producing properties." These dividends appear small compared with $141,000,000 paid by the company in dividends during the three years 1900, 1901 and 1902, a sum amounting to $39,000,000 more than its capital stock, and many millions of dollars less than net earnings.

The unscrupulous methods of the Standard Oil Company in removing a competitor from its path is again noted in the course it pursued in destroying the business of Mr. Rice, who had a refinery of 2,000 barrels capacity per week at Marietta, a little pipe-line leading from his wells in the Macksburg, Ohio, oil fields to the railroad where the oil was run into the one tank car he owned and then hauled to his refinery. As his oil was in demand in many markets and success was attending his efforts to extend and enlarge his business, the Standard determined to stop his

sales and permanently close his refinery and thus end competition from that source. To that end Mr. O'Day, manager, notified the Cleveland and Marietta Railroad Company that was carrying oil to the Rice refinery, that he would not allow further shipments by the Standard Oil Company over that road unless big freight discriminations were conceded to it; and declared his intention to build a pipe-line from the Macksburg field to Marietta unless his demands were complied with. Those demands were stated by Mr. Phineas Pease, receiver of the Cleveland and Marietta Railroad, to Mr. Rapello, general counsel of the road, in letter of February 25, 1885, in the following words: "But Mr. O'Day compelled Mr. Terry (the General Freight Agent) to make a 35 cent rate on all other oil going to Marietta, and that we should make the rebate of 25 cents per barrel on all oil shipped by other parties, and that the rebate should be paid over to them, the Standard Oil Company, thus giving us 10 cents per barrel for all oil shipped to Marietta and the rebate of 25 cents per barrel going to the Standard Oil Company, $25 per day clear money on Mr. George Rice's oil alone."

Mr. Rapello in reply to Mr. Pease, under date March 2, 1885, said: "The Standard Oil Com-

pany threatens to store, and afterwards pipe, all oil under its control unless you shall make a uniform rate of 35 cents per barrel for all persons excepting the Standard Oil Company ; you shall charge them 10 cents per barrel for oil, and also pay them 25 cents per barrel out of the 35 cents collected from other shippers."

At the command of the Standard Oil Company Mr. Phineas Pease, receiver of the Cleveland and Marietta Railroad, " suddenly and without warning advanced the freight rate on oil for Mr. Rice from 17½ cents per barrel to 35 cents per barrel for carrying it a distance of 25 miles over his road from the Macksburg field to Marietta, at the same time making the rate for the Standard Oil Company 10 cents per barrel for the same service, besides paying that company 25 cents per barrel on all oil transported by the road for him." There was no advance of rates to Marietta on any other merchandise, only on oil, and no increase of the rate to Parkersburg, 12 miles below Marietta on the Ohio River, where the Standard has a large refinery. This act of the receiver was clearly in restraint of trade and in violation of the anti-trust law.

Mr. Rice soon discovered the nature of the plot against him, and brought the matter to the

attention of Judge John Baxter of the United States court who granted him a private hearing in Chambers. Later on, in suit instituted for the removal of the receiver of the Cleveland and Marietta Railroad, Judge Baxter in rendering his decision, said: "Railroads are constructed for the common and equal benefit of all persons wishing to avail themselves of the facilities which they afford." Among the obligations a railroad incurs under the terms of its charter and in accordance with the laws of the State is one "to carry for every person offering business under like circumstances, at the same rate. If it were not so the managers of railways in collusion with others in command of large capital could control the business of the country, at least to the extent that the business was dependent on railroad transportation for its success, and make and unmake the fortunes of men at will.

"The discrimination complained of in this case is so wanton and oppressive it could hardly have been accepted by an honest man having due regard for the rights of others, or conceded by a just and competent receiver who comprehended the nature and responsibility of his office.

"A good deal more might be said in condemnation of the unparalleled wrong complained

of, but we forbear. The receiver will be removed."

The amount of excess freight exacted from Mr. Rice by the receiver of the Cleveland and Marietta Railroad was restored to him.

On July 16, 1886, various railroad companies increased the freight rates on oil shipped, and to be shipped, by Mr. Rice from Marietta to Memphis and New Orleans "from 43 to 162 per cent." without advancing the Standard Oil Company freight from Parkersburg; prior to that time the rates were the same from both places.

This advance in freight rates "closed nineteen out of twenty-four Rice agencies and shut him out of thirty-nine towns in five months."

Mr. Rice advanced abundant evidence, when testifying before the Industrial Commission, to prove that the Transcontinental Freight Association in December, 1888, engaged with the Standard Oil Company to fix on a certain day that month a 90 cent per 100 pounds rate on petroleum and its products from Cleveland and Pittsburgh to the Pacific coast, and to advance the rate to $1.25 on January 1st, ten or twelve days later. This secret understanding was had with a view to the Standard stocking up its Pacific coast agencies with a liberal supply of oil; it would

enable the Company to load their cars and have them ready to move when the lower rate went into effect, while the independent refiners in ignorance of the low rate shortly to be named, and the purpose of the railroads to establish the higher rate a few days later would be able to get off only a limited quantity of oil before the $1.25 rate was fixed. This collusion insured a very great advantage to the Standard Oil Company over competitors, as the difference in freight in its favor put it in a position in which it could undersell them and monopolize the business in that section of country. In this flagrant discrimination against independent refiners it is apparent that the influence of the Standard Oil Company with railroads was not restricted to those east of the Mississippi River, but extended to leading lines from Maine to California, and from our northern boundary to the Gulf of Mexico. It shows indubitably that the railroads stood ready when called on to assist the Standard Oil Company in its work of destroying competition.

The railroad agents on this occasion were so solicitous of the welfare of the Standard that they offered to renew the agreement whenever the coast agencies of the company needed stocking up.

This secret agreement with the railroads was one of the methods employed by the Standard Oil Company to avoid infringement of the Inter-State Commerce law then in effect; the scheme was eminently successful.

Mr. Rice also stated that he was virtually shut out of the market in all directions on crude and refined oil and their products through freight discrimination and was forced to close his refinery on that account in 1896 and had not opened it since.

PRICE CUTTING BY THE STANDARD OIL COMPANY.

The cutting of price is another of the Standard Oil Company's methods to drive a competitor out of business and it has proved a most effective one. No independent refiner must presume to enter a market in which the Standard is doing business, the field is not broad enough for two and at any and every cost the newcomer must be forced to abandon his efforts to introduce and maintain his oil in it. This is illustrated in the case of the Pure Oil Company, that placed its wagons on the streets of New York city in March, 1896, to sell its oil to consumers and retail dealers. At the time this occurred the Standard Oil Com-

pany was selling Water White oil from its wagons in that city at 9 to 9½ cents per gallon. On March 9th the Pure Oil Company started its wagons out with the price fixed at 9 cents, which was highly profitable for both companies. The Standard immediately cut the price to 8 cents, then to 7½ and 7 cents, and continued to run the price down until it reached 5½ cents per gallon in July. The cost of producing a gallon of oil was not lessened in any way during that period, but a competitor had to be driven out of the market and the 5½ cent price did it. When competition ended, prices were restored and losses made good. Identically the same course was pursued in Philadelphia with the same result. Mr. Emery testified in 1899 that he lost $150,000 in Philadelphia in lowering the price from time to time in competition with the Standard Oil Company in his efforts to do business there, and had to quit; and "not four weeks ago when I sent my oil to a certain point the market price was reduced one cent a gallon."

"Whenever they know your oil is on the way to a particular market they will cut the price before you get there."

A number of instances of price cutting by the Standard Oil Company to destroy competition

and monopolize markets are on record in the testimony before the commission which show that it will reduce prices to the cost of delivery if necessary, to prevent a competitor from gaining a permanent foothold in a market. At Auburn, New York, the price was run down to "about 2 cents" in the competitive struggle. It is a well-known fact that the prices of the Standard Oil Company are much lower at competing points than they are where there is no competition, though those points are but a few miles apart.

Mr. M. L. Lockwood in his testimony before the commission, referring to the methods of the Standard Oil Company to maintain its business and destroy competition, said that when he was in the town of Wichita Falls, Texas, in 1888, he was told by a leading merchant of that place, who had been buying oil regularly from the Standard Oil Company that he placed an order for a car load of oil with an independent oil man, who called on him, because he thought his oil was of better quality than he had been getting. The morning after the oil arrived at Wichita Falls the Standard's representative from Fort Worth visited his store and insisted that he must buy oil only of the Standard Oil Company, and threatened in

the name of that company to establish a store in the town and run him out of business if he persisted in buying and selling the oil of independent refiners. The merchant, fearing his business would be ruined unless he complied with what was demanded of him, promised to confine himself thereafter to the Standard oils, and since then has bought exclusively of them. In all parts of the country the power of this great corporation has been made manifest, it appears it cannot be withstood.

In hope of obtaining the privilege of doing business, a right every American citizen has a just claim to, Mr. Thomas W. Phillips and other independent oil men called on officials of the Standard Oil Company, and asked that hostilities between them cease, both as to piping and selling oil, and that the independent oil men be allowed to deliver oil in New York without encountering the opposition of the Standard Oil Company. Their request was denied by the Standard officials, who then suggested the sale of the independent pipe-lines and producing property to their company and thus avoid all trouble; this proposition the visiting delegation declined to entertain and the conference ended.

STANDARD OIL COMPANY'S MEANS OF OBTAINING INFORMATION.

Securing information of the business of competitors has been a policy closely adhered to by the Standard Oil Company throughout its existence, it mattered not how questionable the means resorted to, to obtain it, the ends in their opinion justified the means, as the business of an opponent could be injured quicker and more effectively by the company having knowledge of it. In this connection Mr. Monnett, Attorney General of the State of Ohio, testified that the Standard Oil Company made a practise of bribing clerks and employés of competitors to report daily the details of the business of their employers, the cost price of the product, amount of oil shipped and to whom shipments were made, the names of the customers of their employers, etc., and stated that a man employed by Schofield, Schurmer and Teagle of Cleveland was engaged by the Standard at a monthly salary to supply such information. Another witness affirmed that the Standard Oil Company is accurately advised daily of the shipments of petroleum and its products by competitors, the names of consignee and consignor, amount shipped, and the destination of shipments, either by the railroad company, some

local agent of the road, or some subsidized employé of the independent concern. Mr. Charles B. Mathews of Buffalo, New York, in affidavit to the Industrial Commission said that, "Lane Borell, an employé of my company, was in the secret service of the Standard interests, who paid him a higher wage for making daily reports of our sales, customers and business, than we paid him for work in the refinery. These reports were mailed direct to S. C. T. Dodd, the Standard attorney."

Mr. Lewis Emery in his testimony declared the practise of reporting shipments of the independent refiners to the Standard Oil Company was in vogue as late as 1898 to his personal knowledge, as shipments made from his refinery at that time were reported at once.

Others gave in similar evidence to prove conclusively the debauching by the Standard Oil Company of the officers or agents of railroad companies and employés of independent refiners to betray the business of its competitors.

METHOD OF OBTAINING OIL PRODUCING PROPERTY.

The methods practised by the Standard Oil Company to get possession of oil-producing property were laid bare by Mr. M. L. Lock-

wood in his testimony before the Industrial Commission. In answer to questions upon this subject he said when oil was first produced in Ohio it had ready sale at a net price of 40 or 50 cents a barrel at the wells (barrel not included). At that price the producers were prosperous and contented. Coveting this producing property and determined to possess it, the Standard Oil Company induced the railroad companies to revise freight rates on oil so as the net price at the wells shrunk to 15 cents per barrel where it was held for a lengthened period during which many producers, completely discouraged, as their business was no longer profitable, surrendered themselves victims to the rapacity of the great oil-refining monopoly that purchased 55 per cent. of the capacity of the oil fields. While the Ohio (Lima) petroleum is inferior in quality to the Pennsylvania product, it is a source of large revenue to the Standard Oil Company who pump the output of the wells through its Buckeye Pipe Line to the refineries at trifling cost.

Mr. Lockwood also said that in 1896 or 1897 the Standard Oil Company bought largely of the oil-producing lands of Pennsylvania and West Virginia at low prices after depressing the price of oil with that object in view. "This was just

before the great rise which occurred after they had bought all the property they could." After the purchase of these lands both crude and refined oil were advanced to a high price and consumers thus taxed to pay for the lately acquired property; a policy that has been uniformly carried out by the Standard for twenty years or more.

NO MARKET PRICE FOR CRUDE OIL.

There has been no market price for crude oil (as established for other commodities) since January 23, 1895. On that day the Standard Oil Company began posting daily quotations for crude oil at the office of Joseph Seep, its oil-purchasing agent at Oil City, Pennsylvania, who has under him about 50 sub-agents who are to be found in the various oil fields of the country guarding the interests of their employers. No quotation other than posted by the Standard obtains in the United States and Canada. The price for crude petroleum is fixed from day to day by it, and that price governs all buyers throughout the oil regions of America.

FREIGHT DISCRIMINATIONS AND UNDERBILLING OF TANK CARS.

Charges were freely made before the Industrial Commission and in some instances substantiated

by satisfactory evidence, that certain railroads, especially the Pennsylvania Railroad, discriminated in freight rates in favor of the Standard Oil Company since the passage of the Inter-State Commerce law, in April, 1887, which imposed a penalty of $5,000 and two years' imprisonment for granting rebates or discriminating in other ways. There is but little evidence to prove that the law has been violated since it went into effect, but much to impress one that it has been generally observed. Whatever advantage the Standard has gotten in the way of lower freight than others has been secured in an indirect manner; there is evidence to show that this has been done in numerous instances. One of the direct means employed to favor that company, according to the testimony of Mr. Theodore B. Westgate, of Titusville, an independent oil refiner, a credible witness and reputable gentleman, was in the billing of tank cars at a minimum of 24,000 pounds when the actual weight was from 44,800 to 46,000 pounds. The freight bills for three such shipments having been shown to him he was in a position to speak authoritatively upon the subject. It is also to be fully credited that the Pennsylvania Railroad Company was guilty of rank freight discriminations in favor of the

Standard Oil Company after the passage of the Inter-State Commerce law by its compromising suits brought against it for excess freight charges over rates conceded the Standard. Logan, Emery and Weaver instituted suit before the Inter-State Commerce Commission, charging the Pennsylvania Railroad Company with allowing rebates to the Standard Oil Company from April 4, 1887 (date of passage and approval of the Inter-State Commerce Law) to July 1, 1888. That suit was compromised in 1890, when it was still before the Court, by the railroad company paying Logan, Emery and Weaver the sum of $35,000, and all costs, with the understanding that they would not bring other suits against the company, as they had charged that rebates had frequently been paid by it to the Standard Oil Company since July 1, 1888.

Other independent oil men had brought similar suits against the Pennsylvania Railroad Company, all of which were compromised upon payment of large sums of money to the complainants. It is, therefore, certainly fair to presume that these several suits would not have been settled by the railroad in the manner they were if it had not been guilty of the charge preferred against it; if innocent the suits would have been con-

tested and carried from court to court if necessary. Since the time these suits were filed there is no actual proof of any railroad company directly granting rebates to the Standard Oil Company, but, as remarked before, there is evidence of freight discrimination in underbilling shipments for it, and widespread belief among oil men that the railroads indirectly favor it.

THE STANDARD OIL COMPANY IN CANADA.

Prior to October 1898 our independent refiners had a good outlet for their oils in Canada. To deprive them of that market and to extend its power over all North America the Standard Oil Company, in July of that year, purchased the capital stock of the Imperial Oil Company of Canada and continued the refining and producing business there in the name of the purchased company, and refines every gallon of petroleum that is refined in the Dominion. After taking over the Canadian refineries the Standard induced the railroad companies transporting oil from the United States to Canadian points to make a material advance in freight rates for that service, which was done in October, the most important being the increase from Buffalo to Montreal from 23 cents per 100 pounds to 35 cents per 100

pounds. This advance and other discriminations, in conjunction with an import duty of 5 cents a gallon on refined oil imposed by the laws of Canada, barred the oils of our independent refiners out of that country and gave the Standard absolute control of its markets. The principal railroads of the Dominion soon came under the controlling influence of the Standard, and the broadest discriminations in its behalf in freight rates applying to all local points were allowed against any and all oils that might find entry into Canada, or that were owned there at the time of the agreed freight concessions to it. This was made plain in the testimony of Mr. Andrew D. Gall, oil merchant of Montreal, before the Industrial Commission in November, 1899, when he said, to test the question of local freight discriminations against oil from the United States he made a shipment from Montreal to La Shutte on which the freight charge was 17 cents per 100 pounds on the Canadian oil and 24 cents per 100 pounds on the American (U. S.). On a shipment of each kind to St. Johns, Quebec, the Canadian oil was freighted at 12 cents per 100 pounds, while the American was billed at 24 cents per 100 pounds. When the oil was delivered to the railroad company for shipment Mr. Gall's represen-

tative was required to say "whether it was American or Canadian, and the freight bill was made up accordingly."

Contending with hostile freight discriminations on their oil from the place of production to the markets of Canada, and with inordinate freight rates imposed upon every barrel of it shipped by Canadian jobbers to their customers, the cause of the independent refiners was hopeless, and they abandoned the Dominion to the tender mercies of the Imperial Oil Company, owned and operated by the Standard Oil Company, which has since had a monopoly of the business.

The retail price of refined oil in Canada in May, 1898, about two months before the Standard Oil Company acquired the properties of the Imperial Oil Company, was 12½ cents per gallon, and crude oil selling at $1.40 per barrel. On January 1, 1899, refined oil stood at 14 cents a gallon, while the crude oil remained at $1.40 a barrel. In November, 1899, the price of refined had been advanced to 17½ cents per gallon and the crude to $1.60 a barrel, an advance of 5 cents per gallon on refined and less than a half cent per gallon on the crude oil since the Standard Oil Company took possession of the Canadian refineries some 16 or 17 months before. Was

there anything other than greed and the power the Standard Oil Company possessed to compel consumers to pay any advance it was pleased to demand that warranted this increase of 5 cents per gallon for refined oil when the crude had advanced less than a half cent per gallon? As the cost of refining crude petroleum does not exceed a half cent per gallon, to which must be added about 5 per cent. loss that occurs in the process of refining, the price charged for refined oil in the years past, and at present, makes the fabulous net earnings of the Standard Oil Company clear to our understanding.

The Canadian dealer can buy oil of the Standard Oil Company, in Canada, only on condition that he will not buy oil of any other refiner.

Hon. Franklin B. Gowen, President of the Philadelphia and Reading Railroad Company, a man who stood the good and loyal friend of the independent oil producers and refiners when other railroad companies were leagued against them in effort to destroy their business in the interest of the Standard Oil Company, when before the Inter-State Commerce Commission in January, 1888, denounced the practise of granting freight discriminations and rebates to the Standard, and the result of such treatment of indepen-

dent refiners and producers, in the following words:

"The system of illegal and unjust railroad rebates or freight discriminations, more than any other social evil, has been the source of that unequal distribution of wealth which to-day confronts the country with a menace greater than threatened by any other wrong or inequality. The Standard Oil Trust owes its control of the oil trade of the country entirely through unjust and illegal discrimination in charges of railroad freights. Nearly all of its great wealth and power have been thus dishonestly and illegally obtained. It is far the most conspicuous example among the many instances of the great fortunes made by the favoritism of railway officials."

These weighty words were uttered by a high railway official, an honorable, patriotic citizen, who knew whereof he spoke, who had a just conception of the outrages perpetrated upon independent oil refiners and producers by the railroads and the Standard Oil Company, who looked into the future and gave warning of the menace the "unequal distribution of wealth is to us," who realized that the centering of vast wealth in the hands of the few would ultimate in the oppression of the people, in the degradation of

wage-earners, and who had the courage to declare that the great wealth of the Standard Oil Company "has been dishonestly and illegally obtained." His words should be pondered by every good citizen, by every well-wisher of his countrymen, and impel them to insist in the most positive terms that the great industrial combinations be brought under rigid national control and supervision, and that they be stripped of the power they possess to destroy competition, regulate, or limit, production, fix prices for raw materials, and exact immoderate prices for their manufactures.

GENERAL REMARKS ON THE STANDARD OIL COMPANY, ITS DEEDS AND MISDEEDS.

In studying the many hundred pages of testimony advanced by oil producers, independent refiners, pipe-line people, Standard Oil Company officers, employés and others, one is profoundly impressed with the arrogance of the Standard Oil Company, and the power it has secured by the unscrupulous and utterly heartless employment of the great wealth at its command to attain its ends. There is told the history of the discovery of petroleum in the wilds of Pennsylvania; of the drilling of the first well by Colonel

Drake, and the output of oil from it; of the coming in of a host of energetic and enterprising men to develop the producing power of the oil territory; of the vast amount of money they expended in sinking wells and laying pipe-lines; of the difficulties they experienced in storing and saving the oil; of the great cost of getting their oil to market because of lack of transportation facilities; of the trials and hardships they endured in a country remote from settlements and void of the comforts and refinements of life they were accustomed to, and of their struggle against the great aggregation of capital represented by the Standard Oil Company and great trunk lines of railroads that had conspired to destroy them root and branch.

There is told the history of the successful development of the oil regions by those forceful men, and the remarkable progress they made up to 1872 when the power of the conspirators was first made manifest; of their surmounting the hindrance of high cost of transportation by the establishment of pipe-lines throughout the oil fields and leading to the railroads; of the building and operating of a large number of refineries, 90 of them were located in the oil regions in 1869; of the success they had in refining the

crude petroleum and the discovery of bi-products; of the lessening of the price of refined oil as cost of transportation was reduced and they gained knowledge and skill in refining; of the introduction of their oil into foreign countries, and their determination to avail themselves to the fullest extent of that outlet; of the efforts made by them to build pipe-lines through to the seaboard and the means employed by their enemies to prevent their building them; of the money loss and bankruptcy of many of the pioneer producers, and how, after innumerable trials and troubles had been overcome and the future bright and promising for their business, a systematic course of obstruction and oppression was inaugurated by the Standard Oil Company and trunk lines of railroads to bring about their downfall. Their crude oil was forced down to an unprofitable price and held there until heart was taken out of producers continuing their work and they were glad to sell their lands to the Standard Oil Company, a ready buyer, who became a producer upon a large scale. The territory in which the independent refiners offered their oil for sale was restricted year after year by means of the cutting of price to an unprofitable basis or below cost of production by their

powerful competitor, their refineries were bought up by it and destroyed, and the pipe-lines were purchased by their enemy and turned against them. The few remaining independent petroleum refineries in the United States to-day are permitted to exist at the will of the giant monopoly, the Standard Oil Company.

There were many able and experienced men engaged in refining petroleum as determined as the Standard Oil Company to build up a large business with foreign countries and to extend it over the world. There is no doubt that they would have been as successful as the Standard as a large number of them would have been striving for that business and they would have urged the sale of every barrel of oil they could have found a market for. In the matter of domestic consumption it is not for a moment to be presumed that there would have been a gallon less oil used if there had been a large number of sellers instead of one, and beyond question our people would have purchased oil at less price when many refiners were competing for business than they have paid the Standard Oil Company for it. It would certainly have been to the best interest of our country and people if the many could have continued their refineries, as the

demands of many buyers for supplies of crude oil would have insured a better price for it to prosper producers, and by reason of the competition of numerous sellers of refined oil immoderate profits could not have been wrested from consumers as has been done by the one refining company dominating the market. Besides this, the greater number of refineries would have employed in the several departments of the business a far greater number of persons than have been in service in them, and the additional wages would have been expended to enter into circulation to the advantage of the community. Competition always benefits a people, monopoly always oppresses them.

Refiners of large practical knowledge of the oil business when testifying before the Industrial Commission denied that the Standard Oil Company can produce a gallon of refined oil at more than a trifle less cost than they can and not to an amount to have weight in fixing its selling price to consumers. They concede the facilities of the Standard give it a very considerable advantage in the manufacture of bi-products, which are of much value, and maintain that advantage would not have been had if the independent refiners could have prosecuted their business free

from molestation and oppression. Extortionate profits have been realized for many years past on refined oil, benzine and other products of the manufacture of petroleum as is abundantly evidenced by the fabulous dividends paid by the Standard Oil Company, and these dividends in nowise covering net earnings as millions of dollars annually were invested in producing and refining property or placed to the credit of the surplus fund account, etc. No such profits are legitimate and they could not be secured under the condition of effective competition. While the gallon of refined oil costs the consumer only a small amount of money, the excess price applied to the multiplied millions of gallons consumed every year will aggregate a great many millions of dollars. The destruction of competition means robbery of the people.

The Standard Oil Company monopoly seized the opportunity to deprive others of the fruits of their labor and was successful in doing it. The idea of building pipe-lines in the oil fields to gather the output of the wells, and to the railroads and seashores by means of which transportation charges were reduced to the minimum did not originate with it, neither did the manufacture of certain valuable bi-products now

important articles of commerce. Independent oil men established a great network of pipes in the oil fields and to the railroads before the Standard recognized their value, and pipe-lines reached out towards the seaboard before the company believed the transportation of oil to distant points by that means practicable. The independents were as prompt to adopt the best and latest processes of refining as was the Standard, and were ever on the alert to avail themselves of every means of advanced manufacture.

The mighty Standard Oil Company with $500.-000,000 accumulated capital is without doubt a menace to the public welfare.

THE SUGAR TRUST.

The Sugar Refineries Company was organized August 6 1887 under charter granted by the State of New York and merged 18 of the 21 sugar refineries then in existence in the United States; the Havemeyers at the head of and managing the affairs of the combination. At the time of the merging of these refining companies their aggregate capital stock was about $6,590,000. "Without the addition of a building, a piece of machinery or anything else," the capital stock of the Sugar Refineries Company

was established at $50,000,000, the excess stock being based on good-will, trade-marks and increased earning capacity. It is remarkable how valuable "good-will, trade-marks," etc., of individual companies become when they come into possession of one of these modern industrial combinations that absolutely controls the market for the manufactures they apply to. If our people think the pretext of great value claimed for these things under the condition of monopoly by means of combination has a shadow of foundation they are indeed credulous; the claim is made solely for the purpose of giving a base to a torrent of watered stock, the swelling of $6,590,000, the value of the properties merged, to $50,000,000 stock of the combination upon which consumers of sugar must pay liberal dividends. Immediately after the organization of the trust in 1887, the price of sugar was advanced a half cent per pound, and as much as one cent per pound in 1888 and 1889; a very large profit on the enormous output of the company.

When a member of the Industrial Commission asked Mr. Henry Havemeyer if he did not think the people had a right to know something about the value of stock issued by a corporation chartered by a State and have that stock subject to

inspection so that they may not buy it blindly, replied he did not, "Let the buyers beware. You cannot wet-nurse the people from the time they are born until they die, they have got to wade in and get stuck."

So say the men at the head of all the great combinations that have flooded the country with many hundred millions of dollars of stocks that have not a dollar of tangible assets back of them.

In the case of the sugar trust there was an issue of stock amounting to $43,410,000, that was not sustained by a dollar of cash or property of real value paid in by stockholders or any one else, and this fact Mr. Havemeyer was averse to imparting to the public.

The companies that entered the Sugar Refineries Company assigned their stock in trust to a board of eleven trustees and received trust certificates in lieu of it, and vested in said board the voting power of the certificates.

Seven of the plants that were merged into this company were immediately shut down and one was dismantled and the real estate sold. The business of the trust was in a highly prosperous condition when the courts of New York declared it an illegal combination in restraint of trade and ordered its dissolution. A company composed

of the same people who had been conducting the affairs of the trust was then organized under the laws of the State of New Jersey as the

AMERICAN SUGAR REFINING COMPANY.

The American Sugar Refining Company bought the properties of the companies in the trust organization, paying therefor the stock of the new company whose capital stock was fixed at $50,000,000, divided into $25,000,000, 7 per cent. cumulative preferred and $25,000,000 common stock. In 1892 the company bought four large refineries in Philadelphia and vicinity whose capacity was equal to one third of the sugar output of the country, and also purchased a large proportion of the stock of the Baltimore Sugar Refining Company. At this time an issue of $25,000,000 of new stock was authorized of which $23,546,000, one half preferred, the other half common, was used in payment for the four refineries and the Baltimore Refinery stock, thus increasing the capital stock of the company to $75,000,000.

In 1896 about all of the minority stock of the Baltimore Refining Company was acquired, thus placing that property wholly in the hands of the American Sugar Refining Company. A further

issue of stock amounting to $15,000,000 in 1901, increased the capital stock of the company to $90,000,000 where it now stands.

After the organization of the American Sugar Refining Company and coming into possession of the plants of its constituent companies, all plants not considered necessary to operate were dismantled and hands discharged. Later the refining business of the company was concentrated in six or seven large refineries whose product, or output, was equal to all the refineries that had been taken over on the formation of the company.

The policy of the company is to shut down some of their refineries when there is slack business and operate the others to their full capacity, thus reducing the cost of the product to the lowest possible point. Minimum cost of production is attained only by working full time and employing every piece of machinery and appliance in the refinery, hence the concentration of work in a few plants. The refineries owned by the American Sugar Refining Company in 1899, when this testimony was taken, with capacity of 45,000 barrels of sugar per day and daily production of only 30,000 barrels, about 90 per cent of the output of the country, were located in different parts of the country to give

it advantages in distributing the product to consumers. The cost of building all the plants of the company, if contracted for in June, 1899, when Mr. Havemeyer was before the Industrial Commission (iron and steel then selling at the highest price known in a great many years, and all building materials at the highest price we have knowledge of for twenty years or more past) would have been, according to his very high estimate, $30,000,000 including the cost of the lands they occupy which, independent of working capital, is about one third of the capital stock of the company, and including working capital not a dollar in excess of one half its capital stock.

AMERICAN SUGAR REFINING COMPANY TRADE MARKS AND COMPETITION.

The methods employed by the American Sugar Refining Company to destroy the competition of the four refineries in Philadelphia and vicinity and the Baltimore Refining Company which were purchased by it in 1892 in order to get them out of the way as competitors, and of Spreckles, Doscher, and Arbuckle Brothers who started up their refineries in the latter part of 1898 and entered the market with unknown brands, simply with sugar of good quality which

they offered to sell, not at cut prices, but at the prevailing market price, does not impress one with the potency and value of the Havemeyer and Elder brand which Mr. Havemeyer placed in the intangible assets of the company at a valuation of $35,000,000.

The war of cut prices he inaugurated and maintains against certain of these competitors proves conclusively that the brand that he estimates at such fabulous value is not relied upon to hold the market against even limited competition on the basis of equal prices, and shows the humbuggery practised by his company in giving high value to it, and the general claim of extraordinary value placed on good-will, trade-marks, etc., when controlled by trusts or combinations. As soon as these independent refineries started to manufacture sugar and to solicit business, the American Sugar Refining company cut prices, thus showing lack of confidence in the efficacy of its trade-marks. The Mullenhauer refinery and the Nash and Spaulding Refining Company of Boston have been working in harmony with the American for years, and the same can be said in late years of the Claus Doscher refinery.

The American Sugar Refining Company now

owns one half of the Western Sugar Refining Company, and would hardly make war on that concern, but it is on with Arbuckle Brothers and it is apt to be kept up against them indefinitely. Hawaiian planters now have a refinery in California; they, with McKean of Philadelphia, Cunningham of Galveston, and Henderson and Cogswell of New Orleans, completing the list of independent refiners, will hardly escape plenty of trouble in competing with the American for business.

During 1901 and 1902 drastic measures were used by the American Sugar Refining Company to drive a competing refiner from the territory along the Missouri River where he had a good market for his beet sugar. During the contest which was hotly waged from the beginning the American cut the price of refined sugar to a half cent per pound below the cost of raw cane sugar in New York and far below the cost of producing beet sugar. When this occurred the beet sugar refiner surrendered and abandoned the Missouri River territory to his powerful antagonist. This price-cutting scheme is the most effective of any yet discovered by the trust to destroy competition; the contest is unequal, and in prolonging it the weaker combatant, the

independent refiner, not only loses his business in the disputed territory, but finds himself financially ruined.

After disposing of a competitor prices are restored, or advanced beyond those prevailing when the war for supremacy in the market began, and losses are soon restored.

It is obvious, from the testimony of Mr. Henry Havemeyer, that the purpose of the Sugar Refineries Company, and, later, the American Sugar Refining Company, was to secure absolute control of the sugar refining business in the United States, and he, and those associated with him, did not intend to submit to competition that would defeat the attainment of their ends. In his testimony before the Lexow Committee he said that one of the objects of the sugar trust was the control of the output and the price of sugar. That also was the object of the later organization, "and they have come mighty near doing it," he told the Industrial Commission, and further informed the members of that body that "by reason of controlling 80 per cent. of the product of sugar in the United States we undoubtedly control output and prices."

When asked by a member of the Commission, "Does not your combination take a good deal

of independence out of competitors who were pretty independent previously," replied: "You bet we do." A flippant and arrogant answer that should arrest the attention of all thoughtful patriotic citizens and warn them of the necessity of restraining aggregated wealth in the form of trusts, or combinations, from depriving our people of the right to engage in and carry on any lawful business, of the high importance it is to us that they be absolutely deprived of their power to molest any firm or corporation engaged in competitive manufacture. It should be manifest to our people that their best interests are promoted by competition in business, and that it should be maintained.

Mr. Havemeyer was asked if there was any difference, in his judgment, in the competition between one of the great combinations and its few competitors and the competition between individual firms and corporations. His reply was: "The stock of the big corporation is in the hands of the public, while in the other case the individual owns it all. I think the public if it chooses to become interested in the American Sugar Refining Company stands a pretty good chance of knocking out a man who has all his money in one thing."

Very true. The capital stock of a trust, or combination, is not owned by one, two or three persons but by many persons who are concerned only in dividends being paid to them at an appointed time. During the period of prosperity the country is now passing through the managers of combinations will pay dividends whether earned or not and stockholders will be kept in a happy frame of mind, the reserve fund can be drawn upon for that purpose. Shareholders are thus made content, and the managers of the business are permitted to conduct it as their judgment dictates. With great capital and the control of 80 to 90 per cent. or more of the business of the country in their particular line of manufacture to sustain them they are all-powerful in a war of prices against a competitor, his downfall is certain and competition is swept aside. The loss incurred in effecting this does not affect either the capital or credit of the combination, and ere long whatever loss was sustained in destroying competition is made good, many times, from abundant revenues realized from full prices.

There can be no fair comparison in the matter of competition between individual firms and corporations of limited capital, and combinations with unlimited, or enormous, capital and few

competitors. The combination can destroy a competitor by sustaining a loss that will not in any degree affect its business standing, but the individual firm or corporation is apt to impair its capital and credit in a war of prices it might engage in to secure an undue proportion of business and, therefore, rarely undertakes to enlarge its business by that means. When individual firms and corporations predominated there was no protracted or injurious war of prices at any time between them; the field of trade was left open for the many to enter and obtain a fair share of business at a fair and reasonable profit. Inordinate profits could not be gotten.

MR. HAVEMEYER AND THE TARIFF.

Mr. Havemeyer has about as peculiar views of the tariff question as he has of labor and of the right of our citizens to engage in business and conduct it without being oppressed or destroyed by a powerful competitor. He is very outspoken in denunciation of the protective tariff, and in the next breath asks for an increase of duty on refined sugar to protect (?) the American Sugar Refining Company. When before the Industrial Commission and denouncing duties laid upon foreign manufactures and natural pro-

ductions imported into this country the question was put to him: "If you were left perfectly free would you be willing to face the situation if you were guaranteed the duty would be taken off?" He quickly answered, "Why, we should be ruined, absolutely."

The sugar refining industry in the United States is protected by a duty of one eighth of a cent a pound, or 12½ cents a hundred pounds on refined sugar, an amount scarcely noticed by the consumer in the purchase of sugar required by his family during the year. As to whether or not the duty is necessary to sustain our domestic refiners against the competition of foreign refiners remarkably few people in the United States know. Considering the duty on raw sugar, which does not in any manner benefit refiners, consumers, in the large cities in particular, buy sugar at a low price. The low price is due to the contest that has been waged in late years by the American Sugar Refining Company against independent refiners, especially against Arbuckle and Brothers, who only ask that they may have a chance to do business, that they may have a fair and open field in which to offer and sell their sugar at a reasonable margin of profit. But the big company says no, you must get out,

the market of the United States is ours, we must and will hold it a monopoly at any cost against all "interlopers." To drive the independent refiners out of the market prices are cut to a basis of little or no profit in the territory in which they operate and to all their customers wherever located. This seldom failed to force the retirement of independent refiners and the sale of their plants to the American Sugar Refining Company who closed or dismantled them. While the American cuts prices to cost or near cost in certain territory and to certain customers in order to destroy competition, it maintains profitable prices everywhere else, and has uniformly paid seven per cent. dividend on its preferred stock, and big dividends on its common stock. Taking into consideration the fact that these dividends were earned under the condition I have pointed out, one must be impressed that the business does not require the aid of national legislation to protect it in any way.

MR. HAVEMEYER AND PRICES ON SUGAR.

Mr. Havemeyer is not, at any time, influenced by sentimental considerations in establishing a price for his sugar. If conditions were not as they are, that is if competition was entirely

eliminated, he would double the price without compunction as his statements to the Industrial Commission prove. When asked by a member of the Commission, "Now suppose in the natural course of events the American Sugar Refining Company should suppress all competition, all opposition, I understand from your theory that you would then seek to get out of the public and consumer the largest amount of profit consistent with your idea of business principles?" His answer was, "Precisely."

Mr. Havemeyer does not want national or State interference in the conduct of the business of his company; he holds that it is not responsible to the nation or state and should be permitted without restraint to do whatsoever its managers conceive would promote its interests. He said to the Commission: "It is my opinion that corporations are under no obligation to the States for their existence," having apparently forgotten that they have their being only by authority of the State through the charter it grants. When asked by the Commission, "Do you believe that these trusts should be put more specifically under government control than they are, that they should have examination or inspection similar to the national banks?" arrogantly replied: "Not

at all. I think the government should have nothing to do with them in any way, shape or manner." Answering another question he said: "I have a perfect right to manufacture, to sell, and to conduct a business which represents a particular article, or any article, in the United States. I say hands off to the Federal and State Governments just the moment they interfere with the control in any way, shape or manner."

How does the reader regard the opinion expressed by this great (?) man, this multi-millionaire, this sugar king, upon these questions who sets himself up superior to national or State control, who asserts his positive right to manufacture and sell any article in the United States according to his royal will and pleasure, and denies the right of national and State governments to impose any restriction whatever upon the conduct of his business. He evidently holds that he is vested with the absolute right to resort to any means that he may deem necessary to destroy all refiners who have the temerity to manufacture sugar and offer it for sale in competition with his company, to impose many tens of millions of dollars of stock that has not a dollar of tangible assets to support it upon credulous investors, and to extort inordinate profits from the people to

pay dividends on that stock and to swell the vast wealth he and his company have already amassed.

Don't you think this a favorable time to call a halt on these men whose greatness (?) comes from the dollars they have wrested from the people? Should not the great body of the people, the hope and stay of the Republic, be protected from being despoiled by them? Are we to tamely submit to this tyranny and after a while discover that our passiveness encourages them to go to the very extreme in their exactions and ultimately find our wage-earners reduced to a condition but little removed from peonage, that these men may add other tens of millions of dollars to their already superabundant wealth?

DIVIDENDS OF THE AMERICAN SUGAR REFINING COMPANY.

In 1892 the American Sugar Refining Company paid 10½ per cent. dividend on its common stock and 7 per cent. on its preferred. Dividends paid in 1893 amounted to 21½ per cent. on its common and 7 per cent. on its preferred stock. Since 1893 to 1901 inclusive, the company regularly paid annual dividends of 12 per cent. on common and 7 per cent. on its preferred stock. The public has no means of ascertaining the

amount retained in the treasury of the company every year out of the net earnings but there is no doubt about its being immense. The management does not care to acquaint the people with the total earnings of the company to invite invidious comment. Bear in mind the fact that the enormous net earnings of this company were acquired upon $90,000,000 of capital stock fully one half of which had not a dollar of tangible assets back of it, therefore dividends would have been double the amount paid if they had been based on an honest capitalization.

CHARACTER OF LABOR EMPLOYED BY THE AMERICAN SUGAR REFINING COMPANY.

Mr. Havemeyer was asked to tell the Commission the sort of labor employed in the refineries of the American Sugar Refining Company, his reply was: "Almost exclusively unskilled, the lowest kind of labor getting from $1.35 to $1.50 a day. Poles, Bohemians, the lowest class of labor in the country."

Question by a member of the commission: "Then you employ what you consider the lowest class of labor, and even when you are making very large sums of money your wages are not high, are they, compared with others?" Mr.

Havemeyer's answer was: "When we find a man that is qualified physically to stand the heat and do the business we give him ten per cent. more than he can get anywhere else, and we keep him."

Question: "Do you find the class of men you name, Poles and Bohemians, better adapted to your work than other classes of labor?" The reply was: "No, they are willing to work for less. You cannot get an Irishman now, they can generally get more money, they do not apply any more. The Irishman gets more, all other classes get more."

You will note that in one part of his testimony Mr. Havemeyer says he employs a man for work in the refineries of his company at $1.35 to $1.50 a day if his physical condition admits of his working in the high temperature maintained in them, and that the wages he pays are ten per cent. higher than a strong healthy man can get elsewhere, then contradicts that statement by saying "they are willing to work for less" than any other class. Referring to the enormous dividends continuously paid for a long term of years, and that have been paid regularly since by the American Sugar Refining Company, it is hardly necessary to comment on the beggarly wages it

pays to men who work in a temperature never less than 90 degrees and running up to 110 degrees, and to Mr. Havemeyer's assertion that the wages paid by his company are ten per cent. higher than other employers pay.

Stultifying himself still further in the matter of wages this shrewd (?) sugar magnate said: "I do not think you can get a laborer for $1.50 a day in New York; 24 days in a month—that is $36 a month. You have to pay grooms in the stable $50."

The regard had for the working man in the employ of the American Sugar Refining Company is in supplying him with 15 cents worth of beer daily, which sum is deducted from his wages, to keep him in good physical condition and fit to perform his duties. If he falls below a standard of work he loses his job. Mr. Havemeyer remarked, "We can weed out the bad ones."

Another question put to this gentleman was: "Then it is not because they (the Poles and Bohemians) are better adapted for the refining of sugar that you employ them. You employ them because they are the cheapest?" His reply was: "Yes, because they are the cheapest."

And this man was clamorous for protection on refined sugar because the cost of refining in the

United States on account of higher wages paid the men in our refineries is greater than in Europe, and this difference of cost he stated in his testimony was one sixteenth of a cent a pound (one half the duty we impose) in favor of the European refiner.

MR. HAVEMEYER'S OPINION OF ORGANIZED LABOR.

Upon the subject of labor in general Mr. Havemeyer said to the Industrial Commission: "I do not think trade-unions are an advantage to the working class. When a man's necessities are so great that he is willing to work for $1.50 a day he cannot do it because the trade-union tells him not to work for less than $2.00."

Doubtless this multi-millionaire stood ready at all times to take advantage of the capable working man whose necessities compelled him to apply for work at the refineries of the American Sugar Refining Company; the distress of a fellowman could be made available, as one of his business propositions, to add more dollars to his millions and to swell dividends to be paid to stockholders. The only employés of the big sugar company who belonged to a trade-union are the few skilled mechanics in its service, the great

body of its working force do not belong to any labor organization, nor are they encouraged by the company to join one.

Further along in his testimony, after expressing regret that he had said anything at all on the labor question, and expressing the hope that it would be expunged from the records, he very frankly said: "Labor to protect itself has got to unite, to form trade-unions, has got to consolidate, or I believe that these corporations would run them out of existence. There is no doubt about it."

This last expression of Mr. Havemeyer's offers abundant food for thought to every working man in America. Coming from the source it did it should make a more profound impression than if it had been uttered by any other man connected with any combination in the country, it simply means that there would be no limit to the exactions and oppression of these powerful combinations unless restrained in some way, or by some means.

Working men should stand by their unions and perfect them, at the same time the trade-union should be intelligently and fairly administered to gain the sympathy and support of the public. Have they been intelligently administered during

the past twelve months in particular? Men belonging to labor organizations must keep in mind the fact that we have a population in this country numbering eighty millions, a vast majority of whom will always be found upholding the *just* claims of working men; they must also remember that they abhor injustice when indulged in by organized labor to just as great a degree as if it was practised by the employer. Has not far more been accomplished to benefit working men by compromise and by arbitration than has been gained by the many strikes that have occurred? The fact that labor was organized operated to bring about the compromises and settlements, hence the value of union. Would working men have gotten more by engaging in a strike? I doubt it, but there would have been a long period of idleness and loss of wages working people can illy afford to bear, the spending of years of savings to maintain the family, or the creation of debt that will be difficult to pay, and in too many instances distress and want to encounter in the home. And after this long period of idleness and loss no better terms, if as good, are accorded than could have been effected by compromise in the beginning of the trouble between the employé and employer. It appears we have reached a

time when the members of labor unions regard their employers as their enemy; is this right? Is it to their interest to have such feeling exist? I maintain it is not, and the working men will be the sufferers in the end from such a state of feeling. The employer has rights that organized labor must respect if it expects to have and hold the good-will of the people; let each accord justice to the other and there will be slight occasion to strike. Avoid strikes when a fair compromise is proposed and a greater degree of prosperity and happiness will attend working men. Mr. Havemeyer was asked by Mr. Jenks of the commission, "How many hours a day do your employés work regularly?" The response was, "In summer they work in shifts of eight hours, and in winter they work in shifts of twelve hours with two hours for their meals; in other words in summer they work eight hours a day, and in winter they work ten."

These are the working-hours for men employed at $1.35 to $1.50 per day in temperatures ranging from 90 to 110 degrees without variation, who according to the testimony of their employer are employed "because they are the cheapest." The Irishman gets more, all other classes get more.

GLUCOSE SUGAR REFINING COMPANY.

The Glucose Sugar Refining Company was organized in August, 1897, and merged the principal glucose manufacturing plants of the country. The products and numerous bi-products of this company are mainly used as adulterants, corn flour to adulterate and cheapen wheat flour, corn oil for mixing with linseed oil, olive oil, cod-liver and other oils, and glucose sugar for confections and as a substitute for yeast in the manufacture of beer.

There are many other products of this manufacture used for stock food and sundry other purposes.

The value of properties merged was about $6,000,000. The combination was immediately capitalized at $40,000,000, and issued $24,027,200 of common and $13,638,300 of 7 per cent. preferred stock upon which there has been regularly paid dividends of 7 per cent. on the preferred and 6 per cent. on the common stock. The output of the company was stated to be 75 to 90 per cent. of the product of the country, and its value $25,000,000.

Allowing $6,000,000, for working capital, a sum equal to the actual value of the several plants when they were acquired by the company,

and the same amount as correctly representing the value of the properties, there remains $28,000,000 of stock without a dollar of money or property to sustain it upon which the people are required to pay dividends. To illustrate how dividends are exacted from consumers it is in evidence that in the one item of crude corn oil that was selling at $2.25 per 100 pounds at the time of the formation of the company the price was steadily advanced until in less than two years it was selling at $4.00 per 100 pounds. Similar advances were doubtless made in all other products of the company to enable it to pay big dividends and carry large sums to account of the surplus fund.

THE DISTILLERS AND CATTLE FEEDERS' TRUST.

The Distillers and Cattle Feeders' Trust was organized in 1887, and nine trustees appointed to manage its affairs. Each distillery before entering the trust was organized into a stock company and its stock placed in the hands of the trustees who issued trust certificates in exchange for it, four shares of trust certificates for one share of stock. In other words four dollars of trust certificates for one dollar of stock of the individual company.

Eighty-one distilleries went into the trust organization, only ten or twelve of them were operated, the others were shut down. Each distillery (except the small ones) had a manager (the owner) under a five-years contract with the trust at a salary of $300, a month which was paid to him whether the distillery was operated or not, and dividends were paid to each distillery company whether the distillery was shut down or kept in operation. Six per cent. dividends were regularly paid during the life of the trust on a capital stock of four times the value of its assets, and that after the payment of the extraordinary expenses indicated.

As soon as the trust began business prices were advanced five cents a gallon, and were advanced as high as 20 cents per gallon before it was dissolved.

The production of the trust was about 95 per cent. of the output of the country. The court declaring trusts illegal combinations this one was abandoned. An organization was perfected April 1, 1890, under charter granted by the State of Illinois, under the name of the

DISTILLING AND CATTLE FEEDING COMPANY.

The Distilling and Cattle Feeding Company was composed of the same companies that were

in the trust and under the same management, the former trustees now becoming directors, and the same distilleries under the same managers at the same salaries. The capital stock was increased to $35,000,000. In 1892 six large distilleries were purchased for cash, four of them in Illinois, one in St. Louis and one in Nebraska. This company absorbed the stock of its subsidiary companies on the same terms they entered the trust, that is $4.00 of stock of the new company for one dollar of stock of the individual companies. The management of this company was bad and much scandal attached to it, a receiver was appointed by the court and wound up its affairs in December, 1895, when a new company was organized under the name of the

AMERICAN SPIRITS MANUFACTURING COMPANY.

The American Spirits Manufacturing Company purchased of the receiver of the Distilling and Cattle Feeding Company seventeen of the largest and best plants owned by that company. The cash value of these distilleries and all other property of the American Spirits Manufacturing Company did not exceed $10,500,000, while the capital stock of the company was fixed at $35,000,000, divided into $7,000,000 of 5 per

cent. non-cumulative preferred and $28,000,000, common stock, or $3.50 of stock to $1.00 of tangible assets. This company did not control to exceed 60 per cent. of the output of spirits and was not in a position to positively uphold prices at any time prior to 1898 when the Standard Distilling and Distributing Company was organized by the people in management and control of the American Spirits Manufacturing Company, competing distilleries were bought and competition ceased, the two companies working in harmony together. In order to get control of the competing distilleries the Standard Distilling and Distributing Company had each of them appraised at about what it would cost to build it, and that amount was paid in cash for it; besides the cash the seller also received the same amount in preferred and a like amount in common stock as a bonus to induce him to part with his property, or payment of $3.00 in cash and stock for $1.00 of property.

The value of the property owned by the Standard Distilling and Distributing Company was $4,000,000. The company was capitalized at $24,000,000, and stock to that amount was issued, $8,000,000 preferred and $16,000,000 common stock. New York capitalists who advanced the money to promote this company received $100,-

000, of its preferred and $150,000, of its common stock for each $100,000 cash they advanced to pay for the distilleries the company bought.

THE KENTUCKY DISTILLERS AND WAREHOUSE COMPANY.

The Kentucky Distillers and Warehouse Company was organized in February, 1899, with 53 distilleries manufacturing exclusively Bourbon and Rye whiskey in the combination. The company also controls four Rye whiskey distilleries in the east and one Rye distillery in St. Paul, Minn. The capital stock issued by the company was $10,500,000 of 7 per cent. cumulative preferred and $18,500,000 common stock to pay for property purchased, promoters' fees, and $1,500,000 working capital.

Besides the distilling property about 90 per cent. of the standard whiskey brands of the country came into possession of the company which were regarded of greater value than the plants that were acquired.

THE DISTILLING COMPANY OF AMERICA.

The Distilling Company of America is strictly a stockholding company incorporated under the laws of the State of New Jersey in the summer

of 1899 at the instance of the stockholders of the American Spirits Manufacturing Company, the Kentucky Distillers and Warehouse Company, the Standard Distilling and Distributing Company and the Spirits Distilling Company which was organized in 1896 for the purpose of selling the product of distilleries. The stockholders of said companies believed their interests would be advanced if the affairs of the companies were brought under one general management, and to that end the stockholding company was created. The capital stock of the Distilling Company of America was established at $125,000,000, divided into $55,000,000 preferred and $70,000,000 common stock. At once $31,250,000 preferred and $46, 250,000 common stock was issued and turned over to the organizers of the company to purchase the stock of the four companies mentioned of which 96 per cent. was promptly secured. After the exchange of stock of the Distilling Company of America for the stock of the four producing companies the organizers had on hand $11,531,600 of preferred and $12,558,000 common stock, part of which was used in the purchase of distilling properties in Philadelphia, Baltimore and St. Paul, for which $2,000,000 were paid, and for a work-

ing capital of $1,500,000, and in payment of a big bonus to parties advancing cash for the purchase of these properties and for the working capital. The remainder of that issue of stock became the property of the promoters as their profit.

REMARKS ON THE SPIRITS AND WHISKEY TRUST AND COMBINATIONS.

The purpose of this review of the spirits and whiskey trust and combinations is to show the intent of their organizers and all others directly interested in them to stifle competition by the power of aggregated capital with a view to extortionate profits to pay dividends on an enormously inflated capital stock. We noted the trust of 1887, capitalized at $4.00 fictitious to $1.00 of actual value, paying regularly dividends of 6 per cent. on its capital stock during the period of its existence; how much was charged off for depreciation and the amount placed to the credit of the surplus fund was not made public. The company succeeding the trust was corruptly managed and failed to pay dividends; its business was wound up by a receiver. The next company organized was enormously overcapitalized and paid dividends regularly on its capital stock. The

last and greatest of all, this stockholding company, created and maintained to make certain full and stable prices, the holding of competition in check and the payment of liberal dividends, is also immensely overcapitalized. The affairs of the company are progressing satisfactorily and dividends will be earned and paid on the entire capital stock at the cost of the "dear people."

The prodigality of the organizers of combinations in payment of stocks for properties and for the stocks for underlying companies, to promoters, and to persons who advanced money to enable them to acquire desired property and for other purposes is to be especially remarked. Consumers have all that to pay through the medium of excessive prices.

THE ROYAL BAKING POWDER COMPANY.

The Royal Baking Powder Company stands without a peer among the combinations in high percentage of capital stock in excess of tangible assets. It was organized March 3, 1899, and capitalized at $20,000,000, consisting of $10,000,000 of 6 per cent. preferred and $10,000,000 common stock. Five companies, including the original Royal Baking Powder Company, were merged into the corporation now bearing

that name, whose total capital stock before the merging occurred, was $940,000 or less than one twentieth of the capital stock of the new company. The common stock, which carries the voting power and consequent control of the company and its business, was largely retained by persons connected with and interested in the subsidiary companies, but the greater part of it is possessed by one member of the original Royal Baking Powder Company. The preferred stock is on the market for sale. The capital stock of this company is not based upon property values but upon the earning power of the combined companies. The people seem satisfied to pay two prices for the products of this company, that is, they pay double the price the article is worth, and a confiding public buys its stock.

THE AMERICAN CHICLE COMPANY (THE CHEWING GUM TRUST).

The American Chicle Company is another example of fabulous overcapitalization. It was organized April 8, 1901, with capital stock of $9,000,000, of which $3,000,000 is 6 per cent. preferred and $6,000,000 common stock. The corporation is composed of six companies, five of them in the United States and one in Canada.

The aggregate capital stock of these companies before consolidating was a trifle in excess of $900,000, or less than one eleventh of the capital stock of the combination. Trade-marks are considered the most valuable assets the company has, the earning capacity depending principally upon them. Trust magnates find it very convenient to issue an immense amount of watered stock on fictitious values placed on trade-marks. A practical man cannot understand how great value attaches to them when they are controlled by a combination producing 90 per cent. or more of the chewing gum consumed in America; people buying it have to go to the American Chicle Company for their supplies, and would purchase freely of new brands if the old ones were entirely discarded. The earnings of the company have warranted the payment of good dividends, and both common and preferred stock sell at high prices. As chewing gum is a luxury to its users they do not inquire, nor are they concerned about, the amount of profit made on it, and their paying dividends on $8.00 of fictitious value instead of less than $1.00 of stock of real value, does not appear to trouble them, but if they should suddenly break off from the chewing gum habit it would be calamitous to stockholders, as

the more than $8.00 of water in the $9.00 of stock of the American Chicle Company would as suddenly evaporate. In other words, stocks based on fictitious values placed on trade-marks and good-will are not a safe investment and should be avoided.

THE INTERNATIONAL PAPER COMPANY.

The International Paper Company was organized in 1898, with capital stock of $45,000,000, of which $25,000,000 was 6 per cent. preferred, and $20,000,000 was common stock. The company was also authorized to issue bonds to the amount of $10,000,000, to obtain working capital. Twenty-four of the principal paper mills of the United States whose production was 80 per cent. of the paper output of the country, were merged into this corporation, after their property was extravagantly appraised on the basis of one share each of preferred and common stock of the International Paper Company of the par value of $100 each for $100 of property of the different companies. Before the combination the profit of one mill whose capital stock was $500,000, averaged $133,092 a year during a period of 44 consecutive months. This mill and properties belonging to it (all covered by its capital stock

of $500,000) was taken into the new company at a valuation of $4.50 of International Paper Company stock for $1.00 of its stock, or a gross valuation of $2,250,000 for the property. Another mill company that had averaged an annual profit of 32 to 48 per cent. was merged on the basis of $4.00 of International Paper Company stock for $1.00 of its stock. One other case of excessive valuation was that of a company whose properties stood upon its books at $60,000, which were merged into the International at the stupendous price of $3,500,000. This company owned valuable water power which was acquired at small cost many years ago that was appraised at an extreme price for the combination, but it could not have been worth the vast sum of more than three million dollars allowed for it in the merging ageement.

At the time of the consolidation of these companies it was admitted that the $20,000,000 of common stock was paid to them for good-will, trade-marks, etc., for intangible things upon which large earnings must be realized in order to pay dividends. Immediately after the formation of the combination there was a general advance in prices. News-print paper, for instance, that was selling for $35.00 per ton, was steadily ad-

vanced until it reached $55.00 per ton in April, 1900. All other kinds of paper were similarly advanced in price. The purpose of the combination to compel consumers to pay dividends on a large amount of watered stock is thus made apparent.

Mr. Hugh J. Chisholm, president of the International Paper Company, in his testimony before the Industrial Commission in 1899, said: "The company owns and operates 32 plants of total capacity of about 1500 tons of paper daily," and explaining the advantages had by combining plants he said: "It was also believed that economies could be made in the manufacture and distribution of the product which would enable the new company to manufacture and distribute their product at less cost than it would be possible for any single mill to do."

The company inaugurated its economies; officers, salesmen and bookkeepers of the individual companies were done away with, discharged. "All of the directing powers have been concentrated in one office to conduct the operations of all the mills. Each department of the work is conducted by one person. All the manufacturing is in charge of one man; all the construction and maintenance in the hands of another; all the purchas-

ing in the hands of a third, etc. We get better quality of product and more of it from the same machinery and the same number of men than was secured by the individual mills. Also the gross cost of selling the product is much less than the aggregate cost to the separate mills."

After carefully reading the testimony of the president of the paper manufacturing trust, I am constrained to say we have no warrant for believing the cost of producing the pound, or ton, of paper greater in April, 1900, when the price of News-print paper was $55.00 per ton than it was less than two years and four months before, when the individual manufacturers were selling it for $35.00 per ton, and the same can be said of all other grades and qualities of paper. If the testimony of Mr. Chisholm is to be relied upon as truth, that " we get a better quality of product and more of it from the same machinery and the same number of men than was secured by the individual mills, also the gross cost of selling the product is much less than the aggregate cost to the separate mills," the presumption is the cost of combination manufacture was less than the cost of manufacture by the mills operated separately, and it is obvious consumers have paid the combination inordinate profits to support the

many millions of dollars of watered stock it issued, to pay big dividends, to pay big salaries to principal officers, and to concentrate wealth in the hands of a few persons to the injury of the people at large.

Whilst instituting economies in the various departments of the mills and business of the company, it appears that they were lost sight of when "the salary of the president of the company was fixed at $50,000 a year, that of the vice-president at $15,000 a year, and paper manufacturers who had been receiving salaries of $7,500 a year as managers of mills were brought to New York at salaries of $15,000."

Mr. William A. Russell, the first president of the International Paper Company, when before the Ways and Means Committee of Congress about a year previous to the formation of that company, and when the subject of the possible combination of the paper manufacturing concerns was suggested, said "they would save $1,500,000 per annum by reducing their working force."

Would it not be well to pause here and give serious thought to the statement of Mr. Russell, that if the paper makers would combine "they would save $1,500,000 per annum by reducing

their working force," and to Mr. Chisholm's testimony, that "we get a better quality of product and more of it from the same machinery and the same number of men than was secured by the individual mills?" In the fewest words possible these statements mean the reduction of the working force to the minimum; the concentration of manufacturing into the least number of plants that can be successfully operated; the task system of work, and every man working under high pressure in order to hold his job.

Is the public welfare promoted by restricting employment of our wage earners, by reducing capable men who are willing and anxious to work to a condition of poverty and want so that a few men may fatten on big salaries, and a few others secure big dividends on trust stocks that they have invested their money in? I hold to the contrary. The best interests of our country and people are subserved by the greatest possible number of wage earners having employment, and by that distribution of wealth through the payment of liberal American wages that has made this country what it is in greatness and power, and in the happy condition of its people.

The welfare of the people is of more consequence to us than the so-called economies of

trust manufacture of which we have no visible sign.

In less than two years after urging upon Congress the necessity of higher duties on wood pulp and paper, Mr. Chisholm, in February, 1899, boastfully said: "If the paper industry of the United States should determine to capture the markets of the world, there is no nation that could stand against us with our natural resources and national traits of character." And in his testimony in 1901 he said: "To day we are the foremost producer of paper in the world."

THE AMERICAN CARAMEL COMPANY.

The American Caramel Company was organized in 1899 under charter granted by the State of New Jersey, and issued $6,700,000 of preferred and $7,500,000 of common stock. Each subscriber received the amount of his subscription in preferred stock and an equal amount of common stock as a bonus. The tangible assets of this company are insignificant, the stock has no foundation of cash or property to give it value and may be termed worthless as an investment. This combination is cited simply as another example of enormous over-capitalization

resorted to for the purpose of plundering the people.

THE NATIONAL STARCH COMPANY (THE STARCH TRUST).

The National Starch Company, another New Jersey corporation, was organized in April, 1900, and capitalized at $13,500,000, divided into $4,500,000, 6 per cent. cumulative preferred stock, $5,000,000, common stock, and $4,000,000, 5 per cent. gold debenture bonds. The value of the assets of the company is represented by the preferred stock and the bonds. Nearly all, if not the entire amount, of the common stock has no cash or property base and therefore possesses no actual value.

THE UNITED STATES LEATHER COMPANY.

The United States Leather Company was incorporated February 25, 1893, under the laws of the State of New Jersey. Its principal business was the tanning of sole leather. Twenty-five or thirty tanning concerns were merged into this company whose property was appraised and taken over upon payment of one share of eight per cent. preferred and one share of common stock of the United States Leather Company, each of the par

value of $100, for $100 of property of the merged companies and partnerships; $6,000,000, of 6 per cent. debenture bonds were issued and sold to the public to secure working capital. No cash was paid for any of the property, only the stock of the new company was used in payment, and none of it put upon the market. The gentleman from whose testimony this is taken said: "In the old days when we worked for ourselves, and not for stockholders, demanding dividends, we kept doing business and kept our tanneries running whether there was any money in it or not. But net profits have certainly not been greater since the consolidation than they were before, and I believe that the economy of management has not been less." The inference from this testimony is that the boasted superiority of combination management had not been made manifest in the tanning business, that the tanneries were closed part of the time and employes idle, while under individual management the business had been successful and the hands kept at work at full wages.

THE NATIONAL SALT COMPANY.

The National Salt Company was organized March 18, 1899, under charter obtained from the

State of New Jersey and acquired at that time 13 plants located in the State of New York. The authorized capital stock of the company was $12,000,000, divided into $5,000,000, seven per cent. non-cumulative preferred and $7,000,000 common stock, all of which was issued. $2,400,000 preferred and $3,500,000 common stock was used in acquiring the 13 New York plants on the basis of one share each of preferred and common stock of the National Salt Company, of the par value of $100 each, for $100 of property of the constituent companies. $1,150,000 working capital was secured on the same basis, 2 for 1. In 1901 the National Salt Companies purchased and constituent companies numbered 36 plants located in New York, Ohio, Michigan, Kansas and Texas. Some of the later acquired plants were paid for in stock of the National Salt Company, while cash was paid for others. The company produces 13,000,000 barrels of salt annually. Since its organization the company has continuously paid 7 per cent. dividends on its preferred stock, and 6 per cent. on its common stock after the first year. On January 1, 1901, there stood to the credit of the sinking fund the sum of $778,949.32. These are most attractive dividends on stock containing 100 per cent.

water, and considering them in connection with the surplus in the treasury the net earnings must have fulfilled the expectations of the management.

THE AMERICAN SMELTING AND REFINING COMPANY.

The American Smelting and Refining Company, issued capital stock to the amount of $54,800,000, divided equally into 7 per cent. cumulative preferred and common stock. This stock, less a part used to procure $6,500,000 for working capital, was employed in acquiring the merged properties on a basis of one share of preferred and seven-tenths of a share of common stock for one share of stock of the subsidiary companies. The preferred stock represented the value of the physical property, while the common stock was paid for the intangible asset termed good-will.

The net earnings of the company for the year ending October 31, 1900, the latest noted in the testimony before the Industrial Commission, were $4,500,000.

THE INTERNATIONAL SILVER COMPANY.

The International Silver Company manufactures silver-plated ware, table-ware, tea-sets, knives, forks, spoons, etc. The company was

organized under the laws of the State of New Jersey, November 21, 1898, and issued capital stock amounting to $15,007,500 of which $5,111,-500 was 7 per cent. cumulative preferred and $9,896,000 common stock. Sixteen companies were merged into this combination. The plants of two companies were shut down. It is in evidence that the actual value of the merged properties did not exceed 45 or 50 per cent. of the price paid for them; the remainder of capital stock was allotted to trade-marks, good-will, working capital, etc. An example of the extravagant price paid for some of the property is remarked in the payment of $25 cash, $50 of preferred and $25 common stock, for each $25 par value share of one of the companies taken in whose property was valued at $1,500,000, or four dollars in cash and stock for one dollar of stock of the constituent company. The following salaries were voted by the board of directors March 27, 1899, to date from January 1, 1899: President, $12,000 a year; four directors, who were members of the executive committee and managers of four of the largest plants, $10,000 per year each; one director, who was manager of a factory, $7,000 a year; and the assistant-treasurer $8,000 a year. No dividends had been paid up to November

15, 1899, the date the witness from whose testimony this is taken appeared before the Commission.

On February 24, 1899, the preferred stock of the International Silver Company was selling on the New York Stock Exchange at 82½ cents and its common stock at 33 3/16 or 116 5/16 for the two stocks combined. A remarkable price for stock when so much of it has only fictitious value, especially when no dividends had been paid.

THE OTIS ELEVATOR COMPANY.

The Otis Elevator Company was formed in November, 1898, and conducts its business under charter issued to it by the State of New Jersey. Eleven companies doing 80 to 85 per cent. of the elevator and hoisting machinery business of the country were merged into this corporation. The properties of the constituent companies were paid for on the basis of one share of preferred and one and a half shares of common stock of the Otis Elevator Company, each of the par value of $100, for $100 of property of the individual companies at its appraised value, or $250 of stock for $100 of property.

Prices named by the combination are no higher than were charged by Otis Brothers & Co., a

high-priced concern, but are largely advanced over prices gotten by the other companies when they were operating their plants separately. This because the combination issued 150 per cent. of watered stock upon which the people must pay dividends.

The public who have elevators and hoisting machinery to buy have a goodly price to pay for such things since the withdrawal of ten companies from competition with each other and with Otis Brothers and Company.

THE AMERICAN COTTON OIL COMPANY.

The American Cotton Oil Company is a combination operating under a New Jersey charter, with capital amounting to $33,435,700, consisting of $10,198,600 preferred, $20,237,-100 common stock, and $3,000,000 gold debenture bonds. On August 31, 1900, the assets of known value belonging to this company amounted to $17, 949,836. The sum of $15,485,837 of the stock of the company was assigned to those intangible things called good-will, trade-marks, processes, etc. The net earnings of the company have permitted the payment of interest on the bonds and good dividends on both preferred and common stock. Witnesses giving in their testi-

mony did not divulge the amount of earnings that were exacted from the people, on account of the many millions of dollars of its watered stock, that was placed to the credit of the sinking or reserve fund, doubtless a large sum annually.

THE ANTHRACITE COAL COMPANIES.

While the Anthracite Coal Companies are not combined under one charter and operated as one corporation, nevertheless the agreements existing between the eight great companies controlling 91 per cent. of the capacity of the anthracite mines in the matter of production, wages and prices, restriction of competition and the allotment of tonnage to each of the coal-carrying railroads, constitute about as full-fledged a monopoly, or trust, as we have in the United States, and they are so considered. For the purpose, therefore, of this writing they will be denominated a combination or trust.

Such agreements as exist between these coal companies are productive of evil, not alone to those persons directly concerned as employes who are oppressed by them, but to thousands of others and to large business interests affected by extortionate prices charged for coal when production is stopped. This was made plain

upon the occasion of the late strike of anthracite miners who rebelled against working for wages upon which they could barely subsist, and hoped by that means to better their wretched condition. During the many months the strike lasted the companies positively refused to concede any of the demands of the miners, or to submit differences between them to arbitration. The result of their obduracy was the perpetrating of crime, much suffering and want, not only in the mining region but in eastern cities, and the loss of hundreds of thousands, if not millions, of dollars in extortionate prices charged for coal. If President Roosevelt had not taken the course he did to cause all matters at issue between the miners and coal companies to be submitted to arbitration, the struggle would have been prolonged, distress intensified, and beyond even the shadow of a doubt the strike would have been broken, the miners would have been forced to return to work upon such terms as it might have suited the companies to impose, and, their organization or union destroyed, to leave them helpless and in a condition but little removed from servitude. The presidents of the coal companies had determined to conquer the striking miners and would have kept the mines closed a year or more if necessary and

spent millions of money to do it; but when the President of the United States proposed that all differences between them and their workingmen be submitted to arbitration, not alone in their own interest but in the interest of the people as well, the operators were constrained to submit; powerful as they are, they did not care to face the indignation that would have been aroused throughout the country if the proposition of the President had been rejected.

The miners had lost their strike when they were returned to work almost certain of higher wages to be paid them thereafter, and their organization was left intact for future usefulness. Organized labor owes President Roosevelt a debt of gratitude for interfering in the anthracite coal strike. The acknowledged loss of a strike of the magnitude of the anthracite miners' strike and the destruction of their union would have been a serious blow to organized labor in general, its influence would have been very much diminished by it.

The present constitution of the State of Pennsylvania prohibits a railroad company from mining and selling coal, but that prohibition is evaded by eight railroad companies owning the stock of and controlling eight separate coal companies

producing 91 per cent. of the output of anthracite coal, whose presidents are officers of the railroads. A certain percentage of coal carrying is allotted to each road, and freight charges and selling price are fixed by agreement. In 1900, a strike of the anthracite miners was ended by the companies conceding ten per cent. advance in wages and correcting several abuses. One of the wrongs that was righted was the extirpation of the exorbitant charge of $3.75 per keg that was charged the miners for blasting powder that cost the coal company a maximum price of $1.25 per keg. After the strike was ended the companies sold the powder to their miners at $1.50 per keg.

The production of anthracite coal in this country in 1901 was 60,242,560 tons of 2240 pounds each costing from $1.45 to $1.60 per ton to mine, or at the mine entrance, according to the testimony of Mr. Baer, railroad president and president of one of the coal companies when before the strike commission in 1903. Anthracite coal sold alongside the wharf in New York in 1899 to *wholesale* dealers at an average price of from $3.00 to $4.24 per ton of 2000 pounds for chestnut size and from $3.30 to $4.55 per ton of 2000 pounds for stove size, according to qual-

ity. The prices realized paid a fair profit to the coal companies after paying liberal freight charges to the railroads. During the period of the late strike the coal companies enormously advanced the price of anthracite until consumers in New York were paying $9.00 to $15.00 per ton of 2000 pounds for it, and there were instances of still higher prices paid for it.

For years past the independent anthracite coal operators have protested against the rates the railroads charged for carrying their coal to market. In 1899, upon the expiration of contracts with the railroads and their failure to renew them upon more favorable terms, they secured the right of way, surveyed a route and began the construction of a railroad to the seaboard. When matters had progressed thus far the coal-carrying roads made a satisfactory agreement with the independents, who resumed shipping over them. This agreement was, later on, violated by the railroads, and the several independent anthracite interests entered into an arrangement with the Pennsylvania Coal Company, and a new railroad was projected. The arrangement with this company was favorable to the independent operators, as under it they were in a position to market their coal at less price to

consumers at a satisfactory price to themselves. The coal-carrying railroads obstructed the building of the new road but their efforts to prevent its construction proving of no avail, "the Pennsylvania Coal Company was purchased by Messrs. J. Pierpont Morgan & Co. in January, 1901, at an advance of 752 per cent. upon the par value of its stock, to deprive independent operators of transportation facilities, and immediately turned over to the Erie Railway Company." A most effective way to regulate competition, as the independent operators were again made dependent upon the hostile railroads for transportation of their coal to market.

The total production of bituminous and anthracite coal in the United States in 1901 was 261,874,000 tons of 2240 pounds each, valued at $1.33 per ton at the mine. The output of coal of all kinds from the mines of Great Britain and Ireland in 1901 amounted to 219,047,000 tons of 2240 pounds each, valued at $2.24 a ton at the mine. The product of the coal mines of Germany in 1901 was 108,417,000 tons, much inferior in quality to the British coal and costing the same, $2.24 per ton at the mine. The greatest output of coal from the mines of France was 32,722,000 tons in 1901, the cost per ton at the

mine exceeding the cost of British coal. Austria-Hungary has produced as high as 39,000,000 tons in one year, Belgium 23,462,817 tons, Russia 16,151,000 tons. No other country in the world mines as much as 7,500,000, and no country producing 5,000,000 or more tons annually, except British India, mines coal at as low cost as the United States.

France and Germany import quantities of coal. The United States exports coal in limited quantity, while Great Britain is a large exporter of it to the continent of Europe, the Orient and to the West Indies and South America.

Under ordinary circumstances British coal, both bituminous and anthracite, is barred from entry into the United States because of its high cost at the mine and freight charges to port of shipment and by sea. The only country in a position to send us coal is Nova Scotia, and it can find a market only in the New England States and New York. Considering the situation in those states during the past winter when they were deprived of their ordinary supplies of coal; when consumers were compelled to pay extortionate prices for it; when poor people were suffering on account of not being able to buy it at the extreme prices then demanded, and when

manufacturing establishments were forced to shut down because of lack of it, it is obvious that it will be to our advantage to encourage the mine owners of that country to increase shipments of their coal to us whenever our operators advance prices immoderately; this encouragement is offered by the permanent repeal of our duty of 67 cents per ton on coal. The small amount of coal that will be sent to us under normal conditions will have no appreciable effect upon wages paid our miners, but with our ports open to its free admission there will be some protection against excessive prices. The production of coal in the British possessions in North America in 1901 was less than 5,700,000 tons.

Statements to the effect that deposits of anthracite coal in this country have been fully developed have no foundation in fact, as is noted in the discovery in April last of an immense deposit of it in Hanover township south of the city of Wilkesbarre, Pennsylvania, on land owned by the Delaware, Lackawanna and Western Railroad and Lehigh and Wilkesbarre Coal Company. It is estimated that this tract of land contains 300 million tons of anthracite, and it is said to be the most valuable discovery of such coal that was ever made. There are doubtless mul-

tiplied millions of tons of anthracite yet to be unearthed in Pennsylvania and other states, and no apprehension need be felt about scarcity of it. As net earnings of the coal-carrying roads have heretofore been of large amount and satisfactory, an advance of price for anthracite beyond additional wages paid miners is not warranted.

GENERAL REMARKS.

The recital of the merging of our individual manufacturing partnerships and corporations into great and powerful combinations whose object was monopoly of the business they are engaged in by means of their power to regulate production, prices and wages and destroy competition, and the telling of the evils they have inflicted upon us could be continued to the filling of ten volumes or more of the size of this one, but enough has been written to prove combinations a menace to the public welfare and, therefore, I do not deem it necessary to make further separate mention of them.

Upon every hand we face mighty combinations that our independent manufacturers are powerless to contend with. Save only in the production of

cotton goods, every important line of manufacture that it is practicable to combine is combined, each under one general management, to prey upon the people by compelling payment of inordinate prices for trust productions to the end of enriching a few persons through whose manipulations this condition was brought about. The tyranny of aggregated capital that forbids anyone entering the industrial field in opposition to combinations must be brought to an end. The individual citizen must have a chance, as he formerly had, to use his knowledge, experience and limited means for his advancement; unless he is protected in his right to manufacture and to sell his wares, what interest can he have in good government, and what interest can idle workingmen who have slight prospect of getting work to do when trusts limit employment have in the government of the country when their interests are disregarded by the law-making power. Anarchists are a product of tyranny.

At the end of seventy-one years of national existence the value of the product of our manufacturing industry in 1860 was $1,185,866,676. Four years of destructive war followed during which there was no noticeable increase of manufacture, but under broad and liberal national

policies the industry developed year after year until a product of $3,385,860,334 was attained in 1870, an increase of more than 150 per cent. over 1860. There were 2,054,000 persons employed in the industry that year, to whom $620,467,474 were paid in wages.

From 1870 to 1900 the greatest activity prevailed in diversifying and enlarging our manufacturing industry; its development in the short space of thirty years has no parallel in the history of nations. At the end of twenty years the value of our manufactures, for the year 1890, reached the stupendous sum of $9,370,107,624, which was increased ten years later to $13,039,279,566, for the year 1900.

These are marvelous results of individual energy and enterprise, of superb management. In 1890 employment was had in our manufacturing industry for 4,251,613 persons, who were paid wages amounting to $1,891,228,321. Ten years later, in 1900, our manufacturers paid $2,328,691,254 in wages to 5,316,802 employes and working people.

Our great manufacturing industry was built up to a product of more than thirteen billions of dollars, employing millions of people and disbursing billions of money in wages, by *individual*

firms and companies composed of enterprising forceful men who had hazarded their all of money, talent and energy in establishing and conducting the different lines of manufacture they were engaged in. After years of effort, perplexity and care, and too frequently large loss of capital, they succeeded in planting their business on a good dividend-paying basis, and expected to pass the few years they would remain in it free from anxiety and care, and finally turn it over to the control and management of their sons or sell it at its value, as it would not be difficult to find a purchaser for a successful manufactory.

This was the condition of our manufacturing industry before the combination craze seized upon our capitalists. While there were a few industrial combinations formed in an earlier period, the start in the formation of those that now burden the land was made in 1899, but they had no influence one way or the other upon production that year as it was too far advanced to allow of changes being made to affect the output. The figures given as the value of the product of our manufacturing industry for 1900 are from the census report and apply to 1899, which was the census year.

To show what was done by our individual manufacturing firms and corporations in certain lines of manufacture I cite the total production of 821,223 tons of pig iron in the United States in 1860 against an output of 1,165,175 tons in 1870, increased to 3,835,191 in 1880, to 9,202,-703 in 1890, and to 13,789,242 tons in 1900. A product of 11,838 tons of steel of all kinds in 1860 which was increased to 68,750 tons in 1870, and 10,187,322 tons in 1900. An output of 1000 kegs of wire nails in 1875 against 7,232,979 kegs produced in 1900, and 34,152 tons of steel rails turned out by our rolling mills in 1870 against an output of 2,383,654 tons in 1900.

The advance in textile manufacture was also wonderful under our individual firms and corporations. The value of cotton goods produced by our mills in 1860 was $115,681,774; their product was increased to $177,489,739 in 1870, to $210,950,383 in 1880, to $267,981,724 in 1890, and to $339,200,320 in 1900. The value of the product of our woolen mills was increased from $80,734,606 in 1860 to $267,252,913 in 1880, and to $337,768,524 in 1890, a marvelous increase of production during that period, and for the year ending it. The advancement made in the manufacture of silk goods was as astonishing

as our progress in the production of woolen goods. This is noted in the increase in value of the product of our silk mills from $6,607,771 in 1860 to $12,210,662 in 1870, to $41,003,045 in 1880, to $87,298,454 in 1890, and to $107,256,-258 in 1900, elevating the United States as early as 1890 to second place in silk manufacture among manufacturing nations, France standing first. The list could be extended to cover every branch of manufacture in the country, *the growth of all was correspondingly great under the management and control of individual firms and companies.* There is nothing whatever to indicate the *slightest* advancement under and due to combination management.

The great industrial combinations now giving us so much concern came into being in the most prosperous period ever known in America when the demand for manufactures was almost limitless. Under conditions that then existed and that have been most favorable to the present time, if the country had been dependent upon individual firms and corporations for manufactures new mills and factories of all kinds would have been built and operated to turn out a product equal to the fullest demands of buyers; largely more persons would have had employ-

ment at as high wages as combinations pay, very likely higher wages than they pay, as scarcity of labor favorably affects its price, more money would have entered into circulation, as the purchasing power of wage earners would have been increased to the extent of the earnings of the additional hands employed, and our exports of manufactured goods would have been much larger in volume and value as effort would have been made to sell more of them to foreign countries than were exported by combinations. *Competition always stimulates business, whether domestic or foreign.* We would unquestionably have reached a higher state of prosperity if our manufacturing had been done by independent companies and firms than has yet been attained under combination control of our manufacturing business or that will be achieved while they have the power to regulate production and limit the number of wage earners employed.

Senators and representatives in Congress who have stood in opposition to laws that would restrict the power of combinations and bring them under national control and supervision, and others loath to vote such laws who have little knowledge of manufacturing affairs, but are prolific of theories, who assert that industrial combinations

are necessary because of changed conditions would find it extremely difficult to point out changes that have occurred to cause them to become more potent than our individual firms and companies in maintaining our supremacy as a manufacturing country, and would find it equally difficult to indicate even one benefit our people have received at their hands. These theorists insist that manufactures can be produced at less cost by the combinations and sold at less price by them than can possibly be effected by individual manufacturers. I challenge the gentlemen to mention one article produced by a combination that is now sold, or has been sold at less price than our individual manufacturing concerns sold it for before combinations were formed. I challenge them to demonstrate in any practical way that the aggregate sales of manufactures are as great under combination management, controlling near all the output of our manufactories, and on account of that expecting to effect sales without much effort on their part, as they would have been if the factories had been operated separately and the management of each of them earnestly and energetically competing for business and urging sale of their goods. There is one thing very certain, and that is if combinations manu-

facture at less cost than their constituent companies did when they were operated separately consumers have not been advantaged by it; the extra profit thus realized has gone into the pockets of high salaried officers and stockholders and into the treasury of the combination; not one cent of it has gone to the people in the way of lower prices for combination wares.

Individual manufacturing firms and corporations exhibited far more enterprise in their day in urging sale of the product of their establishments and extending their business both at home and abroad than combinations have since they came into being, as is well known to all persons engaged in business pursuits. With all, or a large part of the capital of the individual manufacturer invested in his business, he was not disposed to have it lag to compel him to restrict production or shut down the plant; he was at all times actively in the market seeking customers for his goods, and usually found them. If business was dull his traveling salesmen were more urgent than at other times in their effort to make sales, they left no field uncovered, and if under the condition of stagnated business the product of the factory was not sold he looked forward hopefully to a favorable change and continued

work in the factory and kept his hands employed until an excessive accumulation of goods compelled a shut down. During the period of enforced idleness strenuous efforts were made to reduce stock, and when that was accomplished the old employes were then brought back to their places in the factory and work resumed. Not so with combinations: when business becomes slack with them, manufactories are shut down and hands discharged, and work is confined to only those plants necessary to produce the quantity of goods actually demanded by the trade. No accumulation of stock is permitted in their business; no sentimental regard for the welfare of their working people ever influenced them to resume work in a factory until they had knowledge of a certain outlet for its product.

Under combination control and management the building of manufactories almost ceased, many plants they absorbed were shut down and a number of them dismantled and destroyed, manufacturing was concentrated at selected places and business restricted to the home markets where big profits could be realized. Our individual manufacturing firms and corporations from year to year had the land dotted with factory buildings in course of erection and kept machinery builders

busy making machines for their equipment; the home market was thoroughly canvassed and supplied, and foreign markets developed and importuned to purchase more largely of our manufactures. It was under their good and energetic management that our exports of manufactures attained their maximum value. Under combination methods they have not reached that amount, but have fallen short of it from $23,000,000 to $30,000,000 annually. And theorists appeal to the people to favor trusts or combinations because the facilities they possess will enable them to sell more manufactures to foreign countries than our individual manufacturers sold them. Three successive years of reduced exports of manufactured goods under trust monopoly disproves the assertion. When the trusts sell their manufactures at less price than they were sold for before they monopolized the business of the country, whatever the reduction of price may be, the sum of it will be taken out of the wages of their employes and out of the price they pay for raw materials, their philanthropy will not be carried to the point of taking any part of it out of their prospective earnings.

The cheapness that the friends of trusts heralded as the result of their control of our

manufacturing industry is not apparent in anything they produce, higher prices were established when the combination system was introduced, and they have been inflexibly maintained to the present time. In the iron and steel manufacture, in particular consumers have had to pay extravagant prices fixed by the combination. Competition was promptly ended as the several independent iron and steel manufacturing companies adopted the scale of prices fixed by the combination as they dared not name lower prices and incur the ill-will of the great steel corporation. Prices were not based upon reasonable cost of raw materials and cost of labor, but advantage was taken of the enormous demand for iron and steel to exact extreme prices. During the past twelve months, consumption being somewhat reduced, a lower scale of prices was fixed by means of which consumers find some little relief from extortion, but the latest prices quoted are far above what they would be if the steel monopoly did not exist. Except only the amount of the reduction of price for the ton of iron ore, about one dollar, it costs as much to-day to produce iron and steel as it cost when the highest prices prevailed.

If the various iron and steel companies and

firms that were merged into combinations during the past three or four years, and they in turn merged into the United States Steel Corporation in 1901, had been operated separately during that period, I doubt that any practical man will say that prices for iron and steel and their products would have been advanced to anywhere near the figures they reached. Competition is a great regulator of prices, it tends to keep them down to a fair profit level, and at the same time maintain a liberal scale of wages and fair and just prices for raw materials. The iron and steel manufacturers could have made abundant and most satisfactory profits on much lower prices than named by the steel corporation, as they would not have had to extort immoderate profits from consumers to pay dividends on an enormous amount of watered stock.

Before the absorption of our individual manufacturing concerns by the combinations each of them had its corps of officers, salesmen, managers, bookkeepers and buyers, who were of the first importance in the conduct of the business, and to these men the upbuilding of our great manufacturing industry is mainly due. Many of them are the peers of any man or set of men connected with the combinations. In the process of

merging, nearly all of these officers, salesmen, etc., were gotten rid of and the duties they performed were centered in a few employes in one or two offices under one general management, and the product of the factories distributed in what was conceived to be a cheaper manner than was practised by the separate companies. As a result of this merging and of combination methods there are thousands of these capable and effective men walking the streets in idleness, non-producers and limited consumers. Is the public welfare promoted by the discharge of these men from place? Their talents and energies, if employed, would have added materially to the prosperity of the country. The individual manufacturer had his business and plant absorbed by the combination if he agreed to the terms proposed, or had his business destroyed and his plant rendered almost valueless if he declined them and stayed out. In either event his occupation was gone, and whether agreeable to him or not his remaining years were apt to be spent in idleness; and, if he had sons in training to continue the business after his retirement, his hope of their succeeding him was dispelled, they had to seek other employment. A dream of independence was thus ended. The well-equipped superinten-

dent, manager and foreman, the capable salesman, bookkeeper and skilled workingman deprived of employment by the trusts when they absorbed the plants and business of independent manufacturers faced a condition that was appalling. They had spent years of their lives in acquiring knowledge and experience in the one particular line of business or work and to be barred from employment in it by the trust, the only employer, left them almost hopeless of maintaining themselves and those dependent upon them, as they were unfitted by lack of knowledge to engage for service in any other gainful occupation. In the economy of the trusts these capable and worthy men had to give way, the operation of plants had to be conducted at less cost of product than formerly, which could only be done by a minimum of employes producing a maximum of goods.

Understand the wage earners who were deprived of employment, directly and indirectly, by the merging of our individual manufacturing concerns into powerful combinations, by the stopping of the building of manufactories, by the reduced demand for machinery, by the closing, dismantling and destruction of factories, and by centering manufacture in a few favorably

located plants, number into the thousands. What is to become of these skilled, experienced and valuable men who proved their high qualities in the work in which they had been employed for many years? The trusts will not give them work to do, and they are not wanted in an occupation they are ignorant of and wholly unqualified to engage in. Are these men of brains, skill and experience in manufacturing to be forced to do the work of ordinary ignorant laborers? Surely they are worthy of something better than that. The fate of the thousands of unemployed men of pronounced and proved worth whose situation is due to consolidation of industrial and commercial interests is of far more consequence to us than the success or downfall of any combination or aggregation of capital the country is cursed with, and should be so considered by every right-thinking man in America.

It should be plain to even an ordinary observer that combinations restrict employment and thus menace the public welfare. Let all who do understand this come to a positive determination to spread that knowledge and do their utmost to have a halt called on the formation of other combinations and insist that the power of those now in existence be confined to the narrowest limits

possible by means of national legislation which alone can be effective to that end. The very foundation of our prosperity and well-being is now undermined by them, and the day is not so very distant when we will be overwhelmed in disaster resulting from their acts.

Fully three millions of wage earners were idle during the major part of the four years ending with 1896, and many of them in want of the necessaries of life; bank exchanges, which indicate the volume of business done throughout the country, averaged nearly twelve billion dollars less annually than the exchanges of 1892, and commercial failures during the four years reached the fabulous sum of $919,065,639. Worse than these things will come upon us if combinations are allowed to retain the power they now possess.

The people have the power to compel their Representatives and Senators in congress to enact drastic laws for the control and regulation of trusts, or combinations, by which they will be shorn of their power to oppress, and unless the gentlemen who offer for those high offices solemnly pledge themselves to pass laws that will effectually remedy the combination evil, let the people make use of their power and withdraw their support from them and send men to congress who will

obey their behests. Congress is not independent of the people, let the members of both Houses feel their power if laws are not enacted to protect them in their every right, especially in their right to do business without fear of molestation or destruction by aggregated wealth. Protect the independent manufacturer in his right to market the wares produced in his manufactory, and prevent under the severest penalties, even to the closing of the establishment of the offender, the trusts saying to jobbers and retailers, if you buy or offer for sale the product of independent manufacturers you will be barred from buying our goods. The merchant must have trust manufactures, as they constitute 80 or 90 per cent. of his stock of many articles and he is necessarily compelled to buy them, he no longer has the option to buy of whomsoever he pleases, and, therefore, has to obey the command of the trust or quit business. Prevent by law, under penalty of stopping the sale of trust manufactures if needs be, the cutting of prices below a profitable basis or below cost of production for the sole purpose of driving the independent manufacturers out of business, and not for the benefit of consumers. Such means as these have been used by combinations to destroy competition; they are

clearly in restraint of trade and in violation of the anti-trust law. Unless combinations are restrained by national laws yet to be enacted from exercising the power they possess through vast capital and freedom from responsibility under liberal New Jersey, West Virginia and Delaware charters, they will ere long be bold enough to actually limit the number of working people who will be permitted to work in the manufactories and mines of our country, to establish such rates of wages as they may be pleased to allow, and fix whatever price may suit their peculiar views for raw materials used in their business.

While workingmen employed by combinations are now paid good wages, it is not from any philanthropic motive such wages are granted. The great prosperity pervading the country which insures a market at high prices for the full product of their factories, the fear that congress may be induced to pass laws to circumscribe their power and bring them under national control and supervision, and their desire to avoid trouble with their employes under existing favorable conditions for business, impels them to the exercise of that apparent liberality. What matters it if a high rate of wages is paid to the workingmen when competition is destroyed and the consumption of com-

bination manufactures is equal to production? Whatever increase of pay is conceded them, that much, and more, is added to the selling price of the goods they produce and consumers pay it.

From the combination point of view it is much better to pay high wages that are demanded, when as now and for several years past production and consumption are at the maximum, than to have the plant shut down by a strike and business stopped. Besides this, if the men are at work and satisfied with the wages paid them they are not apt to express their hostility to the combination form of business, to influence Representatives and Senators to vote laws to bring them under national control.

As said before, if industrial combinations had not been formed our individual manufacturing firms and corporations would have had more plants than are now in existence, employment would have been had for tens of thousands more wage earners, largely more business would have been done, manufactures would have been sold at less price, wages would have been as high as combinations pay (they are always high when labor is fully employed), and abundant net earnings would have been realized to pay big dividends on *legitimate* stock.

The iron of oppression will enter the very soul of workingmen when the day of slack business comes, as it certainly will when some unpropitious condition develops. They will then feel the power of the combination, factories will be shut down and a multitude of working people will be discharged from employment who are apt to be without work and wages for a lengthened period and until the trust feels the time has come for the profitable resumption of operations. Throughout the period of slack business only the number of hands necessary to produce the actual quantity of goods ordered will be kept in service, all others will be laid off. As the number of independent manufacturing concerns is limited, and as they will naturally regard the interests and welfare of their own working people and keep them at work as long as there is sufficient business to warrant the operation of their factories, outside hands will have small chance of obtaining work in any of them. During this period wages will be reduced to the minimum, and, mark you, the trade union will be unable to successfully contend against the combinations as there will be competition of tens of thousands of workingmen eager for work at any price to keep want from their homes; against that competition the union is absolutely powerless.

Workingmen will yet face that condition and see the grim specter want enter their homes unless monopoly is crushed. Is it well to submit to trust tyranny that crushes all competition and restricts employment? The interests of wage-earners should impel them to prompt action against the further combining of manufacturing interests, and to demand in no uncertain terms that existing monopolies be shackled. Just so long as aggregated capital has the power to destroy the business of a competitor and bankrupt him, individual firms and corporations will not engage in the manufacturing business and working people will have only the trust to look to for employment. The danger is imminent, and the warning should be heeded; there will be ample time to repent if it is not.

Industrial combinations deprive a large number of persons of the opportunity to employ their capital knowledge and experience in manufacturing, they block the avenues of employment to our wage earners, they destroy fair and honorable competition, impoverish a host of worthy and industrious people, and pour vast wealth into the coffers of the few, thus creating a plutocracy which is a dire menace to the public welfare. Every interest of the people and of

the country calls aloud for their suppression. I have before me a list of 201 of the principal combinations formed in the United States that are capitalized at $6,958,697,518, of which sum $2,092,952,164 represents common stock that has no real value as there is not a dollar of cash or property possessed by them to sustain it. This common stock was issued and paid as a bonus to induce the merging of the properties and business of manufacturing firms and companies into combinations. Payment of stock was made, with very few exceptions, on the basis of $100 of preferred and an equal or greater amount of common stock of the combination for $100 of stock or property of the constituent companies; in a few instances 70 per cent. of common stock was given as a bonus with the preferred stock, and in a few other cases an excess amount of preferred stock was paid with cash and common stock of equal amount. In fact, it can truthfully be said that much more than the $2,092,952,164 of common stock of this enormous capitalization has no true value, but dividends must be paid on it as well as on stock that is supported by cash and property, its owners expect them as they establish a market value for the stock, and the combination management fix

prices for their wares with an eye to big net earnings to pay dividends and yielda large sum for the surplus or reserve fund. The exacting of dividends and surplus fund on this great volume of watered stock by means of inordinate prices for manufactures is an outrage trusts perpetrate on a generous people. A tax should be laid and collected on all stocks of fictitious value, and double liability should attach to them. Let the law so provide, and the practise of issuing watered stock will cease.

Cheapness of manufactures to the level of prices current in foreign countries it was contended by the friends of trusts would be achieved by means of the great capital and other facilities they possess which would enable them to produce goods at less cost than was possible in the past by independent manufacturers, and the people would be benefited by lower prices. If there is a trust-made article that has been sold at less price than quoted before the trusts were established our people have not discovered it; higher prices have universally prevailed. Whenever trusts decide to, and do, sell their goods at less price than similar articles were sold by individual manufacturers in 1899 and in previous years it will be done at the cost of reduced wages and

less price paid for raw materials they use. Wage earners and raw material producers constitute the great body of consumers in this country, if they are well paid for their service and the materials they supply we are assured of general prosperity to bless our people; if their consuming power is abridged by low wages and unprofitable prices for raw materials the prosperity pervading the country will be brought to an end and the land will be filled with idle wage earners and distress. We do not want cheapness at such cost, it would be a curse to us.

The exacting of inordinate prices by combinations that limit employment and depress the price of raw materials to a non-profitable or a money losing basis in order to swell the amount of their superabundant earnings is in the highest degree obnoxious, and should be suppressed. Compare the average dividends of 6½ per cent. for 1902, 5½ per cent. for 1901 and 9.97 per cent. for 1900 (the largest amount of dividends paid in any year since 1889), paid by 35 individual cotton manufacturing companies of Fall River, Massachusetts, whose capital stock, based only on tangible assets, was $21,411,000, with dividends paid by the fabulously over-capitalized combinations and come to a knowledge of the extortion practised by these late creations.

THE PROTECTIVE TARIFF.

The protective tariff was instituted to encourage the investment of capital in the manufacturing business, so essential for our well-being, and to insure the payment of high wages to the working people employed in it. The magnificent manufacturing industry that we established which overshadows that of any other country in the world in value and volume of wares produced is the result of the operation of that law. Each year during the period of its upbuilding and diversification to 1900 numerous plants were built, giving employment to many thousands of workingmen in preparing materials for and in constructing the buildings and machinery, and at its end we were possessed of thousands of factories of all kinds in which millions of our people were at work at higher wages than were paid in the highest wage-paying country in Europe, or anywhere else in the world. The successful establishment of this industry freed us from dependence upon foreign countries for a great many hundred millions of dollars' worth of goods we required annually, and thereafter we kept our treasure at home to pay wages to our own working people, and to use in developing

the resources of our country to cause an increased demand for labor.

This stupendous manufacturing industry of ours was built up *by individual firms and companies, by individual capital*, and there was no halt in its growth until since the formation of industrial combinations. While before these combinations came into existence many factories were built every year, since then the entire number constructed will not favorably compare with the number of new factories opened up for business in any one of many years prior to and including 1900. Contraction of manufacture into as few plants as can be successfully operated has been, and is, the policy of the combinations. Reduction of the number of factories operated means an immense reduction in the number of hands employed and the amount of wages paid. In this, one of the principal objects of the protective tariff is frustrated, and its other object, the paying of liberal wages to our working people, which was assured by its effective operation, will also fail as soon as there is an unfavorable change in business.

The operation of individual plants in large number was what insured employment of the greatest number of wage earners and the main-

tenance of a high scale of wages to make and hold this a prosperous country; persons who do not now comprehend this will come to know it upon the occasion of the first halt in industrial activity when they will see factories promptly closed, thousands of employes without work to do and workingmen powerless to prevent a big reduction of wages.

TRUST LEGISLATION.

Trust legislation during the late session of congress was not of that scope and character to satisfy the people who look upon industrial combinations as a menace to their welfare. They expected the congress to exercise the power it is vested with to enact rigid laws to curb trust oppression and tyranny and were disappointed in its not being done. The bill offered by Mr. Littlefield of Maine was of a character to bring combinations to near a satisfactory degree under national control, to the extent at least that the major part of the evils they inflict upon the people would have been remedied. The Act offered by Senator Hoar was far more forceful than any proposed in either House, and if it had passed would have effectually regulated the conduct and affairs of combinations and destroyed

their power to oppress the people and to monopolize business; both bills failed to pass, senator Hoar's bill was not considered outside the committee to whom it was referred.

Instead of enacting a law that would bring combinations under absolute control and supervision of the National Government, a law was passed to facilitate the hearing and prosecution of suits against them before the courts under the anti-trust law of 1890 which long since was found faulty and inadequate to accomplish what was expected of it, and one other bill that passed the House, February 7th last, requiring corporations *thereafter* organized for the purpose of doing business among the several states and with foreign countries to file returns with the Interstate Commerce Commission covering their articles of incorporation, financial composition and condition, etc., and authorizing the commission, in its discretion, to call for similar returns from existing corporations doing an interstate and foreign business, and making the payment of rebates on freight by common carriers punishable by fine.

PUBLICITY OF COMBINATION AFFAIRS.

In reviewing the testimony before the Industrial Commission, the objection of trust magnates

to making public its condition, business, etc., were most pronounced; they do not care to have the public informed of their methods of business, amount of watered stock they have issued, the actual financial composition and condition of the corporation as the price of the stock might be adversely affected, or anything else to enlighten the people on trust affairs. As said by a trust magnate, "the object of a trust is to keep people who have no business to know from knowing the secrets of the trust." The people are invited and urged to buy trust stocks, but, from the trust point of view, they have no business to know whether or not they have anything of value to support them. Mr. Havemeyer expressed himself very pointedly upon this subject when he said to the commission: "They have got to wade in and get stuck, that is the way men are educated and cultivated."

We look over the industrial field to-day and find every important line of manufacture, except that of cotton goods, formed into powerful combinations. Congress said in February last that corporations *thereafter* organized for the purpose of doing interstate and foreign business must make the public acquainted with their affairs. Why corporations *thereafter* organized? What

is there left of importance to combine except the cotton manufacturing companies? The people are not as much concerned in what may hereafter be combined as they are in existing combinations. What is demanded is publicity of *their* affairs and condition, that is of far more consequence to them than statements of the composition, financial condition, etc., of combinations that may be formed at a future time. Investors should be protected by laws that will force present combinations to issue full and explicit statements showing what they are composed of and their financial condition, so as they will have some knowlege of the value of stocks they are asked to buy, and the people will better understand the percentage of net earnings exacted from them to pay dividends on the mighty flood of watered stock they issued. Do you say the Interstate Commerce Commission has the power under the late law to compel existing combinations to file with its statements showing their acts of incorporation and their general condition. If it should happen to please the commission to ask for them is it apt to advantage the public? All such statements would be filed with the records and papers of the commission and they might appear in some one or more of its

annual reports of limited circulation and read by few persons; is that publicity? It may be in the opinion of senators and representatives in congress, but to the great body of the people it is not; publication through the medium of the annual report of the commission comes too late to benefit any one and is therefore valueless to protect any interests.

Probably the most efficacious means of protecting the people from the despotism of combinations would be to require them to file sworn statements with the Interstate Commerce Commission giving the names and residence of their officers and directors, their authorized capital stock and the amount of preferred and common stock issued and the issue of bonds if any authorized; the par value per share of the stocks and bonds issued and rate of interest they call for; the names and location of the merged companies and partnerships; the cash valuation of their tangible assets, and the terms upon which they were acquired, and whether payment was made in cash or in preferred and common stock, or part cash and part stocks or bonds, or if the consolidation was effected by exchange of stocks and bonds on the basis of the appraised cash value of the property; the terms of exchange to be fully stated.

Require them to state whether or not the companies of which the combinations are composed were combinations of partnerships and corporations before their absorption, and if they were have the statement show the capital stock of each of them and the cash value of their tangible assets as evidenced by their books at the time the original merging occurred and the price paid for them by the company taking them over, whether cash, or cash and stocks, or all stocks, and the amount that was paid for intangible assets and what they consist of.

Require the combination to report when it began paying dividends and the amount paid annually since its organization, and whether or not dividends have been paid on both common and preferred stock and the amount paid on each. Also have them report their annual net earnings, the amount charged off for depreciation, repairs, etc., and the sum placed to the credit of the sinking fund and for what purpose; in other words a full report of earnings and how they were applied. The statement to show, further, the amount of cash paid into the treasury of the combination on its formation, how it was obtained, the sum paid to the promoter as his fee, whether cash or stocks or both, and the amount paid the

syndicate of bankers or other persons who advanced cash to the organizers for combination purposes. Especially have the statement set forth the value of iron ore properties of the constituent companies as shown on their books at the time of merging and the prices paid for them by the combination. Then let it be the duty of the Interstate Commerce Commission to notify the public that such statements are on file in its office and printed copies can be had upon application.

Upon filing their statements with the Interstate Commerce Commission, require each combination to make public through the newspapers of the country the names of its officers, principal office, its capital stock, amount of stock issued, whether prefered or common or both, amount of bonds, par value per share of each, cash paid in, cash value of its assets and what they consist of, the value placed upon intangible assets, net earnings, dividends paid, and the surplus on hand, a true statement of the financial condition of the company. And similar statements to be published quarterly or semi-annually thereafter.

The great industrial combinations are now so firmly planted and in such overwhelming number with us that legislation of a nature to cause their sudden collapse would be calamitous. The repeal

of duties on all trust-made goods would flood this country with foreign manufactures to our complete undoing, it would cause a great number of our factories to suspend operations and a mighty army of wage earners would soon be without employment and distressed, general business would be adversely affected and hard times would prevail; rather than have these things occur we had better submit to trust domination. Trusts, or combinations, can be controlled and shorn of their power to do evil if Congress will pass laws to that end, but a thoroughly effective law will not be passed until the people become clamorous for it, let them demand such a law and they will get it. Unless trusts are deprived of their power to oppress and extort, reduction of duties to an extent that will prevent them from exacting inordinate prices for their goods is inevitable, their insatiable greed makes it necessary. The lowering of duties under the conditions indicated on articles produced by trusts to a point to compel them to sell their goods at prices that will pay them a reasonable profit that will warrant the payment of *legitimate dividends upon an honest capitalization of their business and that will not rob consumers; the repeal of the entire duty on iron ore and coal; the destruc-*

tion of market value for their watered stock, and the passage of a law of the character of the one offered last January by Senator Hoar with the amendments proposed by him several weeks later for the control and supervision of trusts will divest them of their power. With this done there will be nothing left to encourage the formation of combinations, and it may bring about their gradual disintegration and the restoration of individual partnerships and corporations in our manufacturing business to effect steady progress in our industrial development whereby employment of the greatest number of wage earners is assured, exportations of manufactures increased, general business interests promoted, and honest prices established to free consumers of the extortion of monopolies.

RESTRICTION OF THE CAPITAL STOCK OF CORPORATIONS.

Another means by which the evils of combination control of the business of the country could be remedied is limiting the capital stock of manufacturing corporations doing business among the several states and with foreign countries to $10,000,000, or not to exceed $20,000,000, and every dollar of that capital stock to represent cash

and actual property at its carefully appraised value. The officers, directors and stockholders of such corporations who have voting power in the management and control of their affairs should be prohibited from owning stock or interest of any kind in another corporation or firm engaged in the same manufacture, and forbidden under severe penalty from conspiring or entering into an agreement with others to regulate production, wages and prices, to pool their business, or to apportion territory to which the sale of their goods shall be confined, thus destroying competition.

INDIVIDUAL MANUFACTURING COMPANIES.

Every well informed man approves of the formation of individual manufacturing corporations because a number of persons invest the large capital necessary for their successful operation on a large scale, a capital beyond the ability of partnerships to supply or its members willing to hazard in business. Individual corporations, which are honestly capitalized are a necessity and promote the public welfare, but when many of them are combined in one great and powerful company under one general management and control 80 or 90 per cent. or more of the output

of a manufacture they constitute a monopoly to destroy competition and plunder the people; they menace the public welfare.

These industrial combinations must be regulated in no uncertain manner or they will regulate the commerce and labor of the country and the price of raw materials as well as the price of their productions to an extent to make us feel their tyranny to a greater degree in the future than it was felt in the past.

COMBINATION METHODS AND RESULTS.

The methods of combinations are shrewd and unscrupulous, they ruthlessly employ whatever means they deem necessary to attain their ends regardless of consequences to others. The end and aim of officers and directors, who are generally the largest stockholders of the company, is the acquisition of great wealth for the benefit of a few persons. Their sense of right and justice is deadened in inordinate desire for wealth; they depress the price of all materials they have to buy and extort extreme prices for whatever they have to sell, little consideration is given the millions who toil, and the public welfare is of small moment to them.

As all this comes to the understanding of the

people it engenders a feeling of bitterness and hostility towards employers and persons fortunate in the possession of riches, and rouses a spirit of socialism which is made apparent by its spread over the country in late years to lead to anarchy and violence when a period of business depression comes upon us and a host of wage earners are idle.

Before the formation of powerful manufacturing combinations that have monopolized the business of the country wealth was more widely diffused in the United States than in any other country in the world, it was then possible for a capable man of small means to engage in and successfully conduct a business, acquire a competency, and rise to position, wage earners were almost universally employed, a high scale of wages obtained and peace, happiness, and plenty were in the homes of the people. The present condition of trust monopoly has changed all this. Wealth is now gathered by only the favored few, the man of small capital no longer has a chance to use it or to employ his talents for his advancement, however capable and ambitious he may be, he is not allowed to engage in business to conflict with trust interests, and the number of wage earners employed is limited to guard against

over production and to insure a high percentage of profit.

Whilst unparalleled prosperity has attended us during the past four years thousands of useful men have been without work because of trust methods. This condition has no precedent as the demand for many lines of manufacture has been throughout that period in excess of production and of a magnitude to warrant the employment of all these idle people.

Knowing trust methods of keeping in service only sufficient working force to produce just the amount of goods there is an assured demand for it is absolutely certain that a host of wage-earners now employed will become idle upon the advent of slack business, and that hands continued at work will be compelled to submit to a big reduction of wages. Workingmen need not hope for the restoration of good wages with the resumption of business when employment is again offered them, they will then be more helpless than ever before, there will be but one employer, the combination, in each important line of manufacture and that employer will insist upon the payment of such wages as the management may regard it to its interests to pay, and they will be in no condition to refuse what is proposed after

a long period of idleness in which probably the savings of years were expended, or debt created, in supplying the wants of their families.

Are our people insensible to the dangers confronting them in the creation of a plutocracy through the medium of industrial combinations that deny to individual firms and corporations the right to engage in the manufacture of such articles as they produce, and that limits production and employment to the end of increasing their earnings to swell the accumulated wealth of plutocrats? Is not that accumulated wealth a menace to our citizens of limited means who are desirous of engaging in the manufacturing business but are debarred because of the certainty of their destruction by aggregated capital? Is it not a menace to the rights and well-being of the toilers of the country? Is there not danger in its possessors establishing a scale of wages that will impoverish and degrade the wage-earning class?

> "Ill fares the land to hastening ills a prey,
> Where wealth accumulates and men decay."

No writing, however great its length and scope, conveys a more forceful warning or puts so clearly the dangers confronting us by the formation and operation of the combinations now con-

trolling the manufactures of the country than does the following which is taken from an address delivered by Judge Grosscup, of Chicago, before the students of the University of Nebraska, at Lincoln, on the trust question. He said :

"A widespread withdrawal by the people at large from general ownership in the properties of the country cannot but be fraught with the gravest danger.

"Such withdrawal will diminish, if not destroy, popular interest in national prosperity ; for from those only who have a stake in prosperity can we expect great interest. It will kill off competition ; for the competitor of the trust must itself be a trust, and there will be no independent field from which to recruit the means to create such competition. It will discourage still further the wage-earners in any hope of becoming part owner, and thus deepen and widen the existing gulf between capital and labor. It will sap to its foundation the real strength of government; for government must be built on the interests, as well as the affections of the people governed. An industrial system subject to such indictment is a rising menace to free government itself."

THE END.

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